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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF RIO RICO UTILITIES, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE FAIR VALUE OF ITS UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND WASTEWATER RATES AND CHARGES FOR UTILITY SERVICE BASED THEREON.	Docket No. WS-02676A-09-0257

NOTICE OF FILING DIRECT TESTIMONY

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the Direct Required Revenue Testimony of Timothy J. Coley, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 23rd day of December, 2009.

Daniel W. Pozefsky
Chief Counsel

AN ORIGINAL AND THIRTEEN COPIES of the foregoing filed this 23rd day of December, 2009 with:

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RIO RICO UTILITIES, INC.

DOCKET NO. WS-02676A-09-0257

DIRECT TESTIMONY
(REQUIRED REVENUE)

OF

TIMOTHY J. COLEY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

DECEMBER 23, 2009

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INTRODUCTION

Q. Please state your name, position, employer and address.

A. My Name is Timothy J. Coley. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please state your educational background and qualifications in the utility regulation field.

A. Appendix 1, which is attached to this testimony, describes my educational background and includes a list of the rate cases and regulatory matters in which I have participated.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to present RUCO's recommendations regarding Rio Rico Utilities, Inc.'s ("RRUI" or "Company") application for a determination of the current fair value of both its Water and Wastewater utility plant and property and for a permanent increase in its rates and charges based thereon for utility service. The test year utilized by the Company in connection with the preparation of this application is the 12-month period that ended December 31, 2008.

BACKGROUND

Q. Please describe your work effort on this project.

A. I obtained and reviewed data and performed analytical procedures necessary to understand the Company's filing as it relates to operating income, rate base, and the Company's overall revenue requirement. My recommendations are based on these analyses. Procedures performed include the in-house formulation and analysis of several sets of data requests, the review and analysis of the Company's responses to Commission Staff data requests, and review of prior ACC dockets related to RRUI.

RUCO's participation in this proceeding is the cumulative effort of me (Timothy J. Coley) and William A. Rigsby. I performed the revenue requirement analysis on the Company's rate base and operating income. Mr. Rigsby will provide an analysis of the cost of capital. I will also subsequently file RUCO's recommended rate design on January 4, 2010. RUCO analyzed each division (Water and Wastewater Divisions) on a stand-alone basis.

Q. Please identify the Schedules and Exhibits you are sponsoring.

A. I am sponsoring schedules for both the Water and Wastewater Divisions of RRUI that are numbered TJC-1 through TJC-17 and RUCO Exhibits 1 through 6.

SUMMARY OF ADJUSTMENTS

Q. Please summarize RUCO's adjustments to the rate base and operating income contained in your testimony.

A. My testimony addresses the following issues and is common to both the Water and Wastewater Divisions unless otherwise noted:

Rate Base

RUCO Rate Base Adjustment #1 – Accumulated Depreciation – This adjustment reflects RUCO's recommended Accumulated Depreciation balances since the last rate case for each Division. I started with the last Commission approved Utility Plant in Service ("UPIS") and Accumulated Depreciation balances and reconstructed all plant additions, retirements, and adjustments at the approved depreciation rates.

RUCO Rate Base Adjustment #2 – Accumulated Deferred Income Taxes ("ADIT") – This adjustment recalculates the Company's ADIT balances.

RUCO Rate Base Adjustment #3 – Advances in Aid of Construction ("AIAC") and Contributions in Aid of Construction ("CIAC") – This is a conforming adjustment to the AIAC and CIAC balances the Company identified in its data response to RUCO data request 1.08.

Operating Income

RUCO Operating Income Adjustment #1 – Revenue Annualization – This adjustment annualizes the revenues for the 5/8" residential customer based on the average test-year customer count.

RUCO Operating Income Adjustment #2 – Purchased Power Expense Annualization – This is a corresponding adjustment to account for the additional purchased power expense related to RUCO's Operating Adjustment #1 – Revenue Annualization.

RUCO Operating Income Adjustment #3 – Depreciation Expense – This adjustment reflects RUCO's recommended level of depreciation expense.

RUCO Operating Income Adjustment #4 – Property Tax Expense – This adjustment reflects RUCO's recommended level of an increase to gross revenues.

RUCO Operating Income Adjustment #5 – Rate Case Expense – This adjustment reflects RUCO's recommended five-year normalization rather than the Company's three-year proposed normalization period.

<u>RUCO Operating Income Adjustment #6 – Miscellaneous Expense</u> – This adjustment pertains to the Water Division only. It removes unnecessary expenses that are unwarranted for the provision of water service.

<u>RUCO Operating Income Adjustment #7 – Purchased Power Expense</u> – This is a conforming adjustment to purchased power expense that transfers $48,005 from the Water Division to the Wastewater Division. It was improperly booked to the Water Division as identified by the Company's data response to Staff data request GB 3.8.

<u>RUCO Operating Income Adjustment #8 – Corporate Allocations</u> – This adjustment removes some corporate allocations that RUCO finds as unnecessary in the provisioning of water and wastewater service.

<u>RUCO Operating Income Adjustment #9 – Bad Debt Expense</u> – This adjustment normalizes bad debt expense.

<u>RUCO Operating Income Adjustment #10 – Income Taxes</u> – This adjustment reflects RUCO's level of income taxes on its recommended taxable operating income.

Other Issues

Low Income Tariff Program – The Company has proposed a new Low Income Tariff Program for RRUI in its rate application for this case. RUCO will provide its position on the Company's proposal later in this testimony.

Hook Up Fee – The Company is proposing a new Hook Up Fee to address part of the costs for off-site facilities for new service connections. RUCO will address this matter later in its testimony.

Other Tariff Changes – The Company also proposes a change in the cost of new service lines. RRUI has proposed that all service line installation charges be at "cost" rather than current stated tariff rates. This matter will be addressed later in RUCO's testimony.

Late Payment Finance Charge – The Company is proposing the Commission to approve at 1.5 percent finance charge for customers that are delinquent on their accounts. RUCO will discuss this proposal later in its testimony.

REVENUE REQUIREMENTS

Q. Please summarize the results of RUCO's analysis of the Company's filing and state RUCO's recommended revenue requirement.

A. RUCO's analysis found many of the Company's financial statements (i.e. balance sheets) filed with the application and invoices provided in data responses to the various intervenors in the Algonquin related cases unreliable and without sufficient detail.

RUCO's recommended fair value rate base is $7,045,555 for the Water Division and $2,937,595 for the Wastewater Division. Mr. Rigsby recommends a 9 percent return on common equity and an overall rate of return on fair value rate base of 7.90 percent.

RUCO's recommended revenue requirements increase gross revenues by $936,172 for the Water Division and decrease gross revenues in the amount of $549,328 for the Wastewater Division. RUCO's recommended increase (decrease) in gross revenues represents a 49.95 percent increase and a (29.69) percent decrease in the Water and Wastewater Divisions respectively. The details are shown on Schedules TJC-1 and TJC-17.

RATE BASE ADJUSTMENTS

Q. Is RUCO recommending any changes to the Company's proposed rate base?

A. Yes. RUCO analyzed the Company's rate base adjustments to its historical test-year elements of rate base and made adjustments to the rate base as filed by the Company. The details of RUCO's adjustments are explained individually below.

Rate Base Adj. #1 – Plant and Accumulated Depreciation

Q. Please explain any adjustments that RUCO made to the Company's utility plant in service ("UPIS") and Accumulated Depreciation balances.

A. All of RUCO's adjustments are common to both the Water and Wastewater Divisions unless otherwise noted. Each division is comprised of its UPIS and Accumulated Depreciation. RUCO reconstructed the UPIS additions, adjustments, and retirements since the last rate case, as did the Company, to determine the proper UPIS and Accumulated Depreciation balances for the test year in this case.

Q. Does RUCO accept the Company's balances of UPIS and Accumulated Depreciation balances authorized in the previous case for a starting point?

A. Yes.

Q. Did RUCO make any adjustments to Company's adjusted test-year UPIS or Accumulated Depreciation balances to the divisions?

A. RUCO agrees with the Company's adjusted test-year end UPIS balances for both the Water and Wastewater Divisions. However, RUCO made adjustments to the Accumulated Depreciation balances for both divisions.

Q. What led RUCO to make those adjustments for Accumulated Depreciation?

A. Apparently, the Company's Water Division Schedule B-2, pages 3.1 – 3.6, contains an error in the depreciation expense formula for Account 341 – Transportation Equipment for years 2003 - 2007. The Company's 2008 depreciation expense for Account 341 is calculating properly. This is not the only mistake I identified but the most significant.

The same problem exists in the Company's Wastewater Division Schedule B-2's with the exception of year 2004. For year 2003, there is a slight error in Accounts 360 and 361 depreciation expense calculation. Account 390.1 – Computers and Software has a marginal mistake for year 2005. For years 2006 through 2008, the same computational error occurs in Accounts 390.1 and 396.

...

Q. What adjustments did RUCO make to the Accumulated Depreciation balances?

A. RUCO's adjustments increased the Accumulated Depreciation balances by $130,701 for the Water Division and $45,969 for the Wastewater Division. Those adjustments are on Schedules TJC-2 with the supporting detail on Schedules TJC-3.

Rate Base Adj. #2 – Accumulated Deferred Income Taxes

Q. Did the Company make a proforma adjustment in its rate application that created an adjusted test-year end Accumulated Deferred Income Tax ("ADIT") Assets for both the Water and Wastewater Divisions?

A. Yes.

Q. What are ADIT's?

A. ADIT is a balance sheet item that is derived through the normalization of income tax expense on the income statement. ADIT's can be classified as either ADIT Liabilities ("ADTL") or ADIT Assets ("ADTA"). An accounting department may manage deferred tax liabilities and assets in a way that helps maximize a company's net income for external financial accounting reporting purposes. On the other hand, an accountant may seek to minimize the company's net income for purposes of the Internal Revenue Service ("IRS") tax liability reporting purposes in a given fiscal tax year.

ADIT's are created by temporary inter-period timing differences between the book and taxable income treatment of certain accounting events and transactions. These differences typically originate in one period and reverse in one or more subsequent periods. For utilities, the largest such timing difference is the extent to which accelerated tax depreciation generally exceeds straight-line book depreciation during the early years of an asset's service life.[1] ADIT represents the cumulative net deferred tax amounts as shown in the table 1 on the next page:

...

[1] South Dakota Public Utilities Commission, Testimony of Witness Kyle Sem, Docket EL08-030, page 47.

Table 1[2]

Utility Company
Accounting for Deferred Income Taxes

Year	Tax Deductions: Books Straight-line Depreciation	Tax Deductions: Tax Accelerated Depreciation	Cost of Removal	Net Timing Difference	Deferred Income Taxes	Accumulated Deferred Income Taxes
1	$ 102,000	$ 400,000		$ 298,000	$ 119,200	$ 119,200
2	102,000	240,000		138,000	55,200	174,400
3	102,000	144,000		42,000	16,800	191,200
4	102,000	108,000		6,000	2,400	193,600
5	102,000	108,000		6,000	2,400	196,000
6	102,000			(102,000)	(40,800)	155,200
7	102,000			(102,000)	(40,800)	114,400
8	102,000			(102,000)	(40,800)	73,600
9	102,000			(102,000)	(40,800)	32,800
10	102,000		20,000	(82,000)	(32,800)	
	$ 1,020,000	$ 1,000,000	$ 20,000			

Assumptions:

Asset Cost	$ 1,000,000
Income Tax Rate	40%
Cost of Removal	$ 20,000

Depreciation -

Book – 10-years; Straight-line
Tax - 5 years; DDB with Switch to SL

Note: The Deferred Income Tax amount in Year 1 is derived from multiplying the Net Timing Difference of $298,000 by the assumed Income Tax Rate of 40 percent = Deferred Income Tax of $119,200. The Accumulated Deferred Income Taxes are the accumulation of each year's Deferred Income Tax amount.

...

[2] Carl W. Dabelstein, CPA, Income Taxes in Ratemaking, Exhibit No. 8.

The illustrative example shown in Table 1 assumes a single asset with no further ongoing investment in capital assets. Using that example, one can see how the reversal of the ADTL reverses itself in the later years of its useful life and to zero in the last year.

Q. Are utilities a capital intensive industry that requires continuous investments in new plant assets?

A. Yes.

Q. Does RUCO believe that a utility company that is making ongoing capital investments in plant that it is conceivable and logical that a deferred tax liability, a reduction to rate base could exist on a company's books indefinitely?

A. Yes. RRUI should be reflecting a deferred tax liability, which is a reduction to rate base rather than an asset that increases rate base. Utilities are constantly adding and repairing new and old infrastructure all the time. This requires additional investment on behalf of the utility year after year. When a utility's asset (rate) base continues to grow each year, the total accelerated depreciation will continue to exceed book depreciation, but for individual assets, at some point book depreciation will be larger.[3] Another source that I researched stated the following:

[3] E. Busch and J. Johnson, "Treatment of Income Taxes In Utility Ratemaking," A White Paper Prepared for The Oregon Legislative Assembly By Public Utility Commission of Oregon Staff; February 2005, page 7 of 17.

> New investments that cause the level of depreciable assets to at least remain constant over time can effectively delay that deferred tax liability indefinitely.[4]

RUCO's analysis determined that RRUI has continually added plant since its last rate case Decision No. 67279. RUCO believes it is improper for the Company to claim an ADTA on its B-2 Schedules when no such designation appears on its Schedule E's balance sheet.

Q. Did RUCO inquire as to why the Company's Schedule E's balance sheets reported no ADIT amounts?

A. Yes.

Q. What response did the Company provide regarding it not reporting any ADIT on its balance sheet?

A. The Company responded by saying that its ADIT balances are maintained on the parent level, Algonquin Power Trust Fund ("APTF"), books.

Q. Did RUCO review the parent, APFT, balance sheet provided in its 2008 Annual Report to assess the amount of ADIT reported there?

A. Yes. APFT reported a net ADIT Liability in the amount of $83,951,000, as shown in RUCO Exhibit 1. When that amount is allocated down to APFT

[4] Source: http:www.utdallas.edu, Accounting Text, Chapter 16, Accounting for Income Taxes, page 3 of 20.

affiliates in some logical, rationale, and/or systematic[5] manner would amount to a reduction to rate base rather than an addition to rate base as the Company's rate application reports.

Q. Did APTF 2008 Annual Report balance sheet actually balance properly (i.e., Assets = Liabilities + Equity)?

A. Yes.

Q. If RRUI had reported its claimed ADIT Assets of $778,203 and $323,602 on its balance sheets for the Water and Wastewater Divisions respectively, would RRUI Schedule E balance sheets balance properly?

A. No.

Q. Did RRUI claim any ADIT's in the Company's Annual Reports financial statements, filed with the Commission annually, since the last rate case authorized in Decision No. 67279.

A. Yes. RRUI filed three annual reports for the Water Division that showed both ADIT Asset and Liability amounts in years 2006, 2007, and 2008.

...

[5] As prescribed in Statement of Financial Standards No. 109, Section 40, page 19.

Q. Did RUCO ask the Company about the ADIT amounts claimed in the Annual Reports filed with the Commission for those three-years?

A. Yes. RUCO asked the Company about the ADIT Liability amount of $72,985 for the Water Division reported in the 2008 Annual Report filed with the Commission. The Company responded that the amount was not an ADIT Liability in actuality but was a deferred rate case expense that was misclassified as shown in RUCO Exhibit 2.

Q. Did Commission Decision No. 67279 in RRUI's last rate case authorize any ADIT balance?

A. No. Albeit, the Company firmly denied that fact in its response to RUCO data request number 3.03. First, the Company denied the fact that no ADIT were granted in that decision and then, responded that "The decision speaks for itself," as shown in RUCO Exhibit 3.

Q. What is an Accumulated Deferred Tax Asset ("ADTA")?

A. An ADTA is listed on a company's balance sheet to document or record an event/situation where the Company will likely realize a reduction in future income taxes due to an asset. In other words, an ADTA is a future tax benefit. In order for the company to benefit from a deferred tax asset, a company first deducts the expense on its accounting books. Tax breaks are then provided at a later date. Warranties and Net Operating Losses ("NOL") are good examples of ADTA. Generally Accepted Accounting

Principles ("GAAP") allows a company to make estimates on their future warranty expense based on how many returns they think they will get and records the estimated expense on its books. However, the IRS will not allow the recognition of the estimated warranty expense until the actual event occurs, and as a result, shareholder income is lower than taxable income. An ADTA is similar to a prepaid tax. Here is an example that contains numbers; a company may have an ADTA of $10,000 listed on its books. If the company earns $50,000 in income prior to taxes, the company can deduct the $10,000 ADTA from the total taxable income. As a result, the company is only required to pay taxes on the $40,000.

Q. What is an Accumulated Deferred Tax Liability ("ADTL")?

A. The Rate Case and Audit Manual prepared by the National Association of Regulatory Utility Commissioners ("NARUC") Staff Subcommittee on Accounting and Finance in the summer of 2003 reported the following:

> Deferred income taxes (DIT) arise when income tax amounts provided for book purposes differ from the amount of taxes currently due and payable. The **primary** [emphasis added] cause of the tax differences is the straight-line depreciation rates used for rate making purposes versus the accelerated depreciation rates used for federal and state income tax purposes. Under this method, there is higher depreciation expense for tax purposes than for regulatory book purposes, causing the taxes computed for regulatory books (and thus, included in revenue requirement) to be more than the taxes actually payable to the Internal Revenue Service and state

taxing entities, in the early years of the asset's life. In later years, the situation reverses itself, such that the revenue requirement will reflect a lesser amount of income tax than that which is actually due and payable. This difference then becomes a source of interest-free funds, provided by ratepayers and not investors. This accumulated balance of interest-free funds (ADIT) is available to the utility to further invest until it is then needed to fund the taxes due and payable in the later years.

These differences are generally caused by both differences between IRS/State and regulatory allowed asset depreciation lives, and differences in the depreciation method (e.g., straight line versus accelerated)...

The timing differences related to life and method differences are required by the federal tax code to be *normalized*. Pursuant to normalization, the timing differences are accumulated in the DIT account and used to spread the benefits of the IRS tax policies over the economic life of the asset. This will be the **bulk** [emphasis added] of the dollars involved in DIT. The remaining items, related to basis differences, may be either normalized or *flowed-through* to customers. Under the flow-through method, income tax savings resulting from IRS tax methods are immediately used to reduce rate (i.e., revenue requirements) instead of recording the difference as a liability in the deferred tax accounts.

In looking at accumulated DIT, the auditor should look at the Schedule M of the federal (and possibly state) tax return, to

> determine the types of items the IRS/State computed taxes and taxes computed for regulatory purposes...
>
> There are two ways of treating DIT in the revenue requirement computation. In the first, the accumulated DIT is deducted from rate base. This appropriately recognizes that these are interest free funds upon which the utility should not earn a return. In the second, the accumulated DIT is not deducted from rate base, but instead, is treated as zero cost element of the capital structure. In doing so, a lower average authorized rate of return is applied to a higher rate base. In concept, the methods should derive similar results. The auditor should become familiar with the jurisdiction's policy and practice on this matter, so it is properly reflected in the rate computation.[6]

Q. The above referenced source addressed two methods of addressing Accumulated Deferred Income Taxes. Which method does Arizona utilize in revenue requirement computation?

A. Arizona utilizes the normalization method that spreads the DIT benefits of the IRS tax policies over the economic life of the asset, which is a reduction to rate base.

...

[6] Rate Case and Audit Manual prepared by the National Association of Regulatory Utility Commissioners ("NARUC") Staff Subcommittee on Accounting and Finance in the Summer of 2003, pages 24-26.

Q. Does RUCO have another source that supports its position regarding the ADIT issue to which the Company claims?

A. Yes. A paper[7] prepared for the Public Service Commission of Utah cited the following:

> Deferred income taxes are created when components of income or expense are recognized in different time periods for financial reporting purposes than for income tax purposes. The Federal income tax laws necessarily require some items to be reflected differently for income tax reporting purposes. Some of these differences are the result of efforts to protect the federal government from abuse by tax payers. Other differences are the result of legislative efforts to stimulate economic activity. These efforts often take the form of accelerated depreciation or an immediate write-off of investments in fixed assets. When these assets are deducted more quickly on income tax returns than for financial reporting purposes the current burden of income tax payments are reduced. These accelerated write-offs will eventually be exhausted and the company's taxable income will increase to a level that is above book income relative to those specific items...
>
> The income tax issues related to the establishment of utility rates can be complicated. Regulatory agencies sometimes require that advantageous tax provisions be flowed-through to ratepayers by including those adjustments in the calculation of the income tax component of the revenue requirement. However, Congress has restricted this practice so that temporary differences related to accelerated

[7] Edwin C. Farrar, CPA for the Garrett Group, LLC; Normalization of Deferred Income Taxes for Rocky Mountain Power; May 28, 2009, pages 1-2.

> depreciation cannot be used to directly benefit ratepayers. Instead, regulatory bodies must use the same depreciation rates for both the revenue requirement calculation and for the income tax calculation contained in the revenue requirement. The regulator is then permitted to use the accumulated balance of deferred income taxes that results from this treatment as a reduction to the rate base. This requirement results in an interperiod tax allocation because income tax deductions are recognized when the asset is depreciated for ratemaking purposes instead of when the deduction is actually taken on the tax return. The use of the interperiod tax allocation to calculate components of the revenue requirement and to calculate income tax expense and the deduction of the accumulated deferred income tax balance from the rate base is known as income tax normalization... With normalization, the balance of accumulated deferred income taxes may be deducted from rate base as a source of cost free capital. The ratepayer will realize a reduction in rates under full normalization equal to the Commission authorized pretax return on the balance of accumulated deferred income taxes...

Q. Besides Modified Accelerated Cost Recovery System ("MACRS"), what other tax laws exist within the Internal Revenue Code ("IRC") that allows a company to write-off capital investments and plant more quickly on its income tax returns than for financial / ratemaking purposes?

A. Two other tax laws come to mind that allow a company to immediately write-off investments in fixed assets. The first is the IRC Section 179 Expense, which allows a company to deduct up to $250,000 in the first year of the asset's cost for qualified property. The second IRC option for a company is the 2008 bonus depreciation, which allows a company to immediately write-off 50 percent of the cost in the fixed asset the first year it is placed in service. Both of those options are the result of legislative efforts to stimulate economic activity. When these assets are depreciated more quickly on income tax returns than for financial reporting purposes, the company's current burden of income tax payments is reduced. Thus, ratepayers are paying more income taxes through their rates than the company is actually paying the IRS from the greater depreciation income tax deductions. The reason that the ratepayers are contributing more income tax expense through rates than the company is actually paying the IRS is primarily because the ratemaking process is prohibited from using the greater accelerated depreciation method deduction when setting the income tax expense levels for rates. The difference between 1) the higher income tax expense authorized by the Commission in setting rates and 2) the lower income tax the company actually pays to the IRS is 3) the deferred income tax <u>liability</u>, which is a *reduction* to rate base.

Q. Please provide a hypothetical scenario illustrating how the special depreciation deductions affect depreciation expense and thus, taxable income.

A. Assume a company completed its second full year of operations ending on December 31, 2008 and has a rate base of $12,000,000. It added

$2,500,000 of plant additions during 2008, which are included in the $12,000,000 rate base. The new plant additions have a useful life of 10 years, which qualify for MACRS tax depreciation of 150 percent declining balance ("DB") method using the half-year ("HY") convention.

The Commission predetermined just and reasonable rates prior to the company's first year of operations based on the company's rate base, estimated allowable expense levels, and its cost of capital. The Commission estimated an allowable depreciation expense of $1,200,000, calculated using straight-line depreciation, to be recovered annually through the company's ratepayers' rates. The Commission also authorized an annual income tax expense of $406,182 to be collected in rates paid by the utility's customers.

The company elected not to recover any part of the cost of the new plant additions under IRC Section 179 Deduction[8] but did choose to claim the Special Depreciation Allowance or Bonus Depreciation, as RRUI refers to it.

The company can take a special deduction allowance to recover part of the cost of qualified property, placed in service during the 2008 tax year. The allowance applies only for the first year you place the property in

[8] IRS Publication 946: The total amount you can elect to deduct under section 179 for most property placed in service in 2008 generally cannot be more than $250,000.

service. The company claims an additional 50 percent special allowance after electing or not electing to take the section 179 deduction. The allowance is an additional deduction that can be taken after any section 179 deduction and before the calculation of regular MACRS depreciation.

The order of the depreciation election process is 1) first, elect to take or not take the section 179 deduction, 2) claim or not claim the special 50 percent deduction allowance, and then 3) figure the regular MACR's depreciation on the new tax basis from the adjustments from the elections and claims in one and two above.

Q. Please take us through the process of calculating the tax depreciation deductions for these special IRS allowances for the $2,500,000 of new plant additions.

A. The company would first choose to either elect or not elect the section 179 deduction, which is up to $250,000. In this hypothetical scenario, the company chose <u>not</u> to elect the section 179 deduction. The company did choose to claim the special depreciation allowance of 50 percent of the $2,500,000 new 2008 plant additions. The Company deducts half of the plant additions for a total tax deduction of $1,250,000. The remaining $1,250,000 is the company's new tax basis in the assets. The company's book basis in the plant additions is still $2,500,000. The difference of $1,250,000 in the tax versus book basis is due solely to the company claiming the special depreciation allowance. Hence, the special deduction has lowered the taxable operating income by an additional $1,250,000 over financial book reporting. Thus, the actual income tax payable to the IRS is lower than that reported in the company's books. The company can now figure its regular MACRS depreciation for tax purposes on the new plant additions.

Using the MACRS 150 percent DB tax depreciation method and the HY convention, the company is allowed to deduct 7.5 percent tax depreciation on its adjusted $1,250,000 tax basis on the new plant additions or $93,750 ($1,250,000 X 7.5%). Under straight-line book depreciation method using the HY convention, the company is allowed a 5 percent depreciation expense deduction for the first year the plant is placed in service or $125,000 ($2,500,000 X (10% / 2)). For tax purposes, the company is allowed to deduct the additional special depreciation allowance of $1,250,000 plus the $93,750 for the regular MACRS depreciation calculation for a total depreciation deduction of $1,343,750 ($1,250,000 + $93,750). For book and ratemaking purposes, GAAP allows only a straight-line depreciation deduction of $125,000 ($2,500,000 X (10% / 2)) in the first year that the plant is placed in service. Thus, taxable income is lower for tax purposes than book purposes because of the greater tax depreciation deduction generated by claiming the special depreciation deduction allowance.

The deferred tax calculation for the hypothetical DIT scenario[9] is shown in the table below:

Plant Additions	Book Depreciation	1st Year Tax Depreciation Rate	Tax Depreciation	Difference	Tax Rate	Deferred Tax
2,500,000	125,000	53.75%	1,343,750	1,218,750	38.60%	(470,438)

As shown in the last column of the table above, the deferred income tax related to the bonus depreciation that the company claimed is a liability of $470,438, which is a *reduction* to rate base for the interest free funds the company over collected from the ratepayers for income taxes.

Q. Did RUCO ask RRUI about its bonus depreciation it is claiming in this case that creates a deferred income tax liability?

A. Yes. RUCO issued data request number 3.10 that inquired about the bonus depreciation and the Company's response was as follows:

> Q. Accumulated Deferred Income Tax (ADIT) – Admit that the bonus depreciation (50%) taken by the Company that led to the Company's net operating loss (NOL) shown on Company Schedules B-2, page 5 – line 11, would create a book ADIT liability for that year. If denied, please explain why.
>
> RESPONSE: Deny. The tax net operating loss was caused, in part, by the bonus depreciation. However, the bonus depreciation is already contained in the tax basis value of plant and equipment of $13,584,404 shown on Schedule B-2, page 5. The inclusion of the bonus depreciation contributed to lowering the tax basis and ultimately the book-tax timing difference. However, the adjusted net

[9] The numbers and amounts used in this hypothetical are not exact amounts as shown in RRUI's rate application but are relatively comparable in size.

book basis of assets remains greater than the tax basis of assets and creates a deferred tax asset. [emphasis added] The tax net operating loss carry forward is a distinct book-tax timing difference which by itself creates a deferred tax asset.

Q. Does RUCO agree with the Company's response and if no, why?

A. There are two primary reasons why RUCO disagrees with the Company's response. First, the table on the previous page clearly demonstrates that bonus depreciation creates a deferred tax liability in and of itself. Secondly, the part of the Company's response that is underlined with emphasis added is wrong and backwards.

Q. Please explain why RUCO believes that portion of the Company's response is wrong and backwards.

A. It is wrong and backwards for the same reason. Deferred tax assets are created when the tax basis of an asset is greater than book basis (See RUCO Exhibit 4). This exhibit is an excerpt from a Chapter titled Corporate Income Tax from a 2008 Prentice Hall publication text book slide show presentation. The conclusions displayed in RUCO Exhibit 4 are the exact opposite of what the Company claims in its response. Maybe that is why the Company has proposed an ADIT asset to increase rate base in the instant case. A deferred tax liability, which is a reduction to rate base, occurs when the tax basis of an asset is less than the book basis. When the tax basis is less than the book basis, this means that more depreciation through accelerated methods has been taken than on the book basis, which must use the straight-line depreciation method that results in less depreciation in the early years of an asset's life. As RUCO has shown throughout its testimony that is what creates the **bulk** of a utilities ADIT.

In a case involving Hope Gas, Inc., Case No. 05-0304-G-42T, Mr.Hugh Larkin,[10] Jr. testified on behalf of the Consumer Advocate Division of the Public Service Commission of West Virginia and summed up ADIT in a much more concise way than I have here as follows:

> In Adjustment 59A the Company reduced accumulated deferred income taxes and increased rate base. It appears that this adjustment was made incorrectly by the Company and should have increased deferred income taxes and not decreased them.

Q. Does RUCO agree with the Company's proforma adjustment to RRUI that establishes an ADTA?

A. No.

Q. What other reason(s) does RUCO provide in opposing the Company's proforma adjustment that claims an existence of an ADTA?

A. RUCO takes issue with the creation of the ADTA on several grounds beyond what RUCO has already discussed in this testimony.

[10] Mr. Larkin is a CPA and senior partner in the firm of Larkin & Associates, PLLC. RUCO and the Commission has obtained Larkin & Associates for its services as outside consultants in a number of Arizona regulatory cases and matters.

Q. Please expound further on the issues of why RUCO opposes the Company's proforma adjustment that gives rise to the ADTA.

A. RUCO has reviewed all interveners data requests and responses to APTF's utility affiliates in Black Mountain Sewer, Litchfield Park Water and Sewer, and RRUI Water and Sewer Divisions rate cases. All interveners that analyzed the ADIT issue have grave concerns in regards to the Company's claim of an ADTA.

Q. Does the Company's calculation of its ADIT Asset include Advances in Aid of Construction ("AIAC")?

A. Yes.

Q. What is RUCO's position regarding the Company's inclusion of AIAC in its ADIT computation?

A. RUCO's position on the Company's inclusion of AIAC in the computation of ADIT is its erroneous. The Company does not have any book neither tax basis in plant that was funded through non-investor capital other than the amount previously refunded. The Company is already earning a return of the AIAC balances through depreciation expense and is entitled to no more or less.

...

Q. What is RUCO's recommendation regarding the ADIT?

A. RUCO recommends that the Commission follow the guidelines set forth in the Statement of Financial Accounting Standards ("SFAS") No. 109 that was issued in February 1992 and specifically for companies that file consolidated tax returns as APTF does with its affiliate RRUI.

Q. Please state what those guidelines are in SFAS No. 109.

A. Section 40, page 19, of SFAS No. 109 states the following guidelines whenever "The consolidated amount of current and deferred tax expense for a group that files a consolidated tax return shall be allocated among the members of the group when those members issue separate financial statements" as is the case with RRUI for this rate proceeding. SFAS No. 109 further states the following:

> **Separate Financial Statements of a Subsidiary**
> 40. This Statement does not require a single allocation method. The method adopted, however, shall be systematic, rationale, and consistent with the broad principles established by this Statement. A method that allocates current and deferred taxes to members of the group by applying this Statement to each member as if it were a separate taxpayer meets those criteria…

The excerpt of SFAS No. 109 is provided in this testimony as RUCO Exhibit 5.

…

Q. How has RUCO allocated, as set forth in Section 40 of SFAS No. 109, the parent Company's net deferred income tax liabilities that are reported on APTF 2008 Annual Report balance sheet?

A. RUCO adopted the prescribed SFAS 109 method to allocate APTF's net deferred income tax liabilities. RUCO's allocation factor is based on RRUI total asset cost ($8.8 million) divided by Algonquin Power Trust Fund's total assets ($978.1 million) to arrive at RRUI asset ratio, as reported on its 2008 Annual Report. RUCO's allocation method adopted is systematic, rationale, and consistent with the broad principles established by Section 40 of SFAS No. 109. It allocates current and deferred taxes to members of the group by applying SFAS No. 109 to each member as if it were a separate taxpayer and meets the criteria established therein. These deferred income tax liabilities are attributable to all APTF's affiliates. The ratepayers of RRUI are entitled to those tax benefits that it contributed towards.

Q. What is RUCO's recommendation for RRUI ADIT balance for the Water and Wastewater Divisions?

A. RUCO recommends an ADIT Liability balance of $501,057 for the Water Division and $208,912 for the Wastewater Division to properly reflect SFAS No. 109 criteria of allocating the tax benefits that the ratepayers are entitled, which reduces rate base accordingly. Those adjustments are on

Schedules TJC-2 with the supporting detail on Schedules TJC-3 and TJC-5.

Rate Base Adj. #3 – Advances and Contributions

Q. Please discuss RUCO's adjustment to advances-in-aid-of-construction ("AIAC") and contributions-in-aid-of-construction ("CIAC").

A. This is a conforming adjustment to AIAC and CIAC that arose through RUCO data request 1.08. RUCO inquired about the balances in the respective AIAC and CIAC accounts. The Company's response was after closer investigation it determined that the amounts filed in the application was not correct. RUCO made the necessary adjustments to conform with the Company's updated AIAC and CIAC balances.

Q. What adjustment was necessary to conform to the Company's updated AIAC and CIAC balances?

A. It was necessary to increase the AIAC balance by $48,724 and a corresponding adjustment to decrease the CIAC by the same $48,724 for the Water Division. The Company's data response indicated an adjustment was needed to increase AIAC by $238,783 and a corresponding adjustment to decrease CIAC by the same $238,783 for the Wastewater Division. Those adjustments are on Schedules TJC-2 with the supporting detail on Schedules TJC-3.

OPERATING INCOME ADJUSTMENTS

Operating Income Adj. #1 – Revenue Annualization

Q. Please explain RUCO's Operating Income Adjustment #1.

A. This adjustment annualizes the Company's revenues of the 5/8 inch average test-year customer count for the Water Division. The same calculation applies to the 5/8 inch residential Wastewater customers.

Q. Did the Company make a revenue annualization adjustment to the test-year end revenue balances?

A. Yes. The Company annualized revenues to the test-year end customer counts. RRUI's revenue annualization decreased revenues by $4,794 and $4,505 for the Water and Wastewater Divisions respectively.

Q. Doesn't RUCO normally annualize revenues to the test-year end customer count rather than averaging the test-year customer count?

A. Yes. RUCO normally annualizes the revenues to the test-year end customer count.

Q. Why did RUCO deviate from annualizing revenues to the test-year end customer count to averaging the customer count in the test-year?

A. RUCO did annualize revenues to the test-year end customer count for all customer classifications with the exception of the 5/8 inch residential customer.

Q. How is customer annualization typically used in a utility rate case?

A. Where a utility is growing and having to add plant during the test-year to serve additional customers, a revenue annualization adjustment is typically employed in order to capture the impact on revenue from customer growth that has occurred and to better match the revenue with the test-year plant that has been added to serve the new customers. The revenue growth that relates to the addition of customers is captured in an adjustment to increase revenue that is related to the increased plant that has been added to serve additional customers during the test-year.

Q. Why does RUCO believe that averaging the test-year customer count is more appropriate in this case for the 5/8 inch residential customers?

A. The Company's method of annualizing revenue is similar to the one used in its last rate case. However, the use of such a method in this case is decreasing test-year revenues. RUCO's analysis of the 5/8 inch residential bill counts determined that the Company's decrease to revenues were not attributable to a permanent decline in customer count during the test-year but more attributable to the *seasonality* of the monthly customer counts.

…

Q. Has RUCO recommended averaging the test-year customer count in prior rate cases to annualize revenue?

A. Yes. Mr. Ralph Smith, RUCO's outside consultant, recommended a similar approach to averaging the customer count when annualizing revenues in the last Unisource Gas ("UNS Gas") rate case – Docket No. G-04204A-08-0571. RUCO recommends averaging the customer count in RRUI for the same reasons Mr. Smith gave in the UNS Gas case. Mr. Smith stated the following:

> Moreover, the decrease in revenue produced by the Company's calculation appears to be related to customer seasonality rather than a permanent decline in customer count during the test year, and therefore should not be adopted because it would understate test year and going-forward revenues.
>
> I conclude that UNS Gas has added, on average, both residential and commercial customers in each and every year, including the test year. Consequently, an adjustment to decrease test year revenue would understate test year and going-forward revenues and be inappropriate and should be rejected. Test year revenue of $516,000 should not be removed as proposed by UNSG…

…

Q. In performing RUCO analysis of the monthly customer counts that led it to the determination that the low test-year end customer count for the 5/8 inch residential customers is caused more by the seasonality of the customers rather than a permanent decline in customer counts, what did the data disclose?

A. After analyzing the Company's Annual Reports filed with the Commission, the "Water Use Data Sheet By Month" for calendar years 2005 – 2008 showed an increase in customers for each month, with the exception of one-month of the 48 months analyzed, during that four-year time period. That analysis determined that to annualize revenues to test-year end customer count was a proper methodology to utilize.

However, RUCO's examination of the Company's H-5 Schedules discovered that the test-year end customer count was less than all other months in the test-year, with the exception of the month of October. In fact, the month of June had 331 more customers than the test-year end month of December. This analysis shows that to annualize to the test-year end customer count would skew the results of the annualization to the detriment of the ratepayers. Thus, a more proper methodology to utilize in this particular instance would be to average the number of customers in the test-year for a basis of the annualization. This approach normalizes the customer count over the test-year period and eliminates the outliers, which produces more reasonable results.

Q. Has RRUI experienced growth to both plant and customer count since its last rate case?

A. Yes. Using the average test-year customer count for the 5/8 inch residential customers better matches the revenue to the plant added to serve the new customers. For years 2006 through 2008, new plant investments were as follows:

Water Division

Period	Total Plant in Service	Change
2006	$ 30,269,691	
2007	31,033,505	$ 763,814
2008	34,023,226	2,989,721

Wastewater Division

Period	Total Plant in Service	Change
2006	$ 11,626,019	
2007	11,673,445	$ 47,426
2008	11,833,279	159,834

Q. What year-over-year increases has RRUI experienced for total average customers?

A. The year-over-year increases that RRUI has experienced for total average customers are summarized in the following tables:

Water Division

Period	Average Customers	Change
2006	5,725	
2007	6,147	422
2008	6,506	359

Wastewater Division

Period	Average Customers	Change
2006	1,929	
2007	2,060	131
2008	2,170	110

Q. What adjustment does RUCO recommend to annualize revenues to the average test-year customer count to better match revenues to the plant additions and to account for the seasonality of the customer base?

A. RUCO recommends increasing gross revenues by $26,801 for the Water Division and increasing the Wastewater Division's gross revenues by $20,125. This mitigates the seasonality of RRUI customer base. Those adjustments are on Schedules TJC-6 with the supporting detail on Schedules TJC-7 and TJC-8, pages 1-16.

Operating Income Adj. #2 – Purchased Power Expense Annualization

Q. Please explain RUCO's adjustment to Purchased Power Expense.

A. RUCO's adjustment to Purchased Power Expense Annualization is a direct result of RUCO's adjustment #1 to Revenue Annualization. Since RUCO recommends additional revenue, it is also necessary to account for the additional gallons of water to be pumped and sewage to be transported and treated.

Q. Are there any other adjustments that RUCO made to the Purchased Power Expense Annualization that you would like to discuss?

A. Yes. When annualizing the related expenses (purchased power and chemicals), it was determined the Company miscalculated the purchased power expense. The Company's calculation (Adjustment #6) fails to include the purchased power adjustment #5 that relates to the estimated APS rate increase. RUCO has properly accounted for that adjustment when annualizing its purchased power expense. That correction slightly increases the purchased power expense in the annualization of the expense.

…

Q. What adjustments are necessary to properly reflect the additional expenses to account for RUCO's increased levels of revenue because of its' Revenue Annualization recommendation?

A. Adjustments to increase Purchased Power by $9,081 for the Water Division and by $1,694 for the Wastewater Division are necessary to account for the additional flows. Those adjustments are on Schedules TJC-6 with the supporting detail on Schedules TJC-7 and TJC-9.

Operating Income Adj. #3 – Depreciation Expense

Q. Have you recalculated Test Year Depreciation and Amortization expense?

A. Yes. Based on RUCO's adjusted test-year plant and CIAC balances, I have recalculated Depreciation and Amortization Expense on a going-forward basis. The adjustment is exhibited in Schedule TJC-10 for both the Water and Wastewater Divisions.

Q. What was RUCO's reason for adjusting the Company's Depreciation Expense?

A. The primary reason that led to the adjustments was due to differences between the Company's and RUCO's CIAC balances.

…

Q. What adjustments are necessary to reflect RUCO's recommended levels of depreciation expense?

A. RUCO's adjustments increase the Company's Depreciation and Amortization Expense by $1,687 and $9,361 for the Water and Wastewater Divisions respectively.

Operating Income Adj. #4 – Property Tax Expense

Q. Has RUCO made an adjustment to the Company-proposed level of Property Tax Expense?

A. Yes.

Q. Has RUCO calculated Property Tax Expense using a methodology that has been adopted by the ACC in prior rate cases?

A. Yes. RUCO has used a modified version of the ADOR formula that has been adopted by the Commission in a number of prior rate cases. RUCO's calculation of Property Tax Expense uses two years of adjusted gross revenues and one year of RUCO's recommended level of gross revenues to arrive at a three-year average of gross revenues that is subject to property tax. The calculation of Property Tax Expense can be viewed in Schedules TJC-11 for both the Water and Wastewater Divisions.

…

Q. Are there any differences between RUCO's calculation of Property Tax Expense and the Company's calculation?

A. Yes. There are three differences. First, RUCO's adjusted test-year gross revenues are not the same as the Company due to an adjustment for Revenue Annualization nor is the proposed level of gross revenues the same because RUCO recommends a lower amount of an increase in rates. Second, RUCO's calculation includes an addition of 10 percent of the amount of Construction Work in Progress ("CWIP") that was booked during the test-year. Finally, RUCO has deducted a different amount of test-year net book value (See Schedule TJC-4, page 7) of the Company's vehicles.

Q. What adjustments were necessary to reflect RUCO's differences in calculating the Property Tax Expense?

A. RUCO's adjustments decrease the Company's Property Tax Expense by $30,780 and $12,434 for the Water and Wastewater Divisions respectively.

Operating Income Adj. #5 – Rate Case Expense

Q. What level of Rate Case Expense is RRUI estimating in this case?

A. RRUI is estimating its Rate Case Expense to be $210,000 for the Water Division and $125,000 for the Wastewater Division. The Company proposes that the Rate Case Expense be recovered over a three-year period.

Q. What level of rate case expense is RUCO recommending?

A. The last updated amount of invoiced Rate Case Expense that RUCO is aware of was $41,307 through October 2009. That is approximately 12 percent of the total $335,000 estimated by the Company. At this time, RUCO has made an adjustment of 25 percent to the Company's total estimated Rate Case Expense for both the Water and Wastewater Divisions. RUCO is reserving its right to make further adjustments to the Company's estimates in surrebuttal testimony and final schedules. I will review the final rate case invoices and make a reasonable adjustment as this case proceeds.

Q. What adjustments are necessary to reflect RUCO's reasonable Rate Case Expense recommendations?

A. RUCO recommended five-year normalization of Rate Case Expense decreases the annual recovery by $17,500 for the Water Division and $10,417 for the Wastewater Division. The adjustments can be seen on Schedules TJC-12 for both the Water and Wastewater Divisions.

Operating Income Adj. #6 – Misc. Expense

Q. Please explain the adjustment RUCO makes to Miscellaneous Expense.

A. This adjustment to Miscellaneous Expense affects the Water Division only. It removes unnecessary expenses associated with the provision in the provisioning of utility services such as public relations and charitable contributions in the amount of $1,363 for the Water Division. This adjustment is shown on Schedule TJC-6 and TJC-7. The details are shown in RUCO's work papers.

Operating Income Adj. #7 – Purchased Power Expense

Q. Please discuss RUCO's adjustment to Purchased Power Expense.

A. This adjustment is the result of Staff data request GB 3.8. The data request inquired about the abnormally low amount of Purchased Power Expense for the Wastewater Division. The Company's response stated the following:

> First, there was about $52k of sewer power costs erroneously coded to water power costs in 2007, and 48k in 2008 (see the attached file). The Company would not oppose a recommendation by Staff to transfer this cost from water to sewer, where it belongs.

…

Q. What adjustment was necessary to properly charge the power costs to the appropriate division?

A. RUCO decreased the Water Division's Purchased Power Expense by $48,005 and increased the Wastewater Division's Purchased Power Expense by $48,005.

Operating Income Adj. #8 – Corporate Allocations

Q. Did RUCO make any adjustments to the Company's Corporate Expense Allocation?

A. Yes.

Q. What is RUCO's rationale for making the adjustments to the Corporate Expense Allocation?

A. First, RUCO believes that most of the expenses being allocated to the Arizona Utility Infrastructure regulated affiliates, including RRUI, are unnecessary and not directly attributable in the provisioning of water and wastewater services. Second, the unregulated parent Company, Algonquin Power Income Fund ("APIF" or "Fund"), allocated the costs down to Algonquin Power Trust ("APT"), which the Company claims is another unregulated affiliate. RUCO reviewed the Fund's organizational chart of all its affiliates and could not ascertain if APT is even an affiliate because APT is not on the organizational chart. Third, the Fund allocated costs down to APT, which are later allocated to RRUI that included Super

Bowl tickets, hockey tickets, basketball tickets, gold watches etc. and other licenses, fees, and permits that, should be totally disallowed for ratemaking purposes. Fourth, RUCO does not agree with the allocation factors utilized by APIF. Finally, RUCO has concerns with the allocation and documentation methods between an unregulated parent, the Fund, and regulated affiliates such as RRUI. The NARUC Guidelines for Cost Allocations and Affiliate Transactions, attached as RUCO Exhibit 6, states that, "The prevailing premise of these Guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities..." The Guidelines also suggest that "to the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided.

Q. What is the definition of direct costs and indirect costs?

A. *Direct costs* are those costs that can be traced easily and accurately to a cost object. The more costs that can be traced to the object, the greater the accuracy of the cost assignments. Establishing traceability is a key element in building accurate cost assignments. Tracing costs to cost objects can occur in one of two ways: (1) direct tracing and (2) driver tracing. Ideally, all costs should be charged to cost objects using direct tracing. *Indirect costs* cannot be traced to cost objects. At the very least, direct and indirect cost assignments should be reported separately.

Q. Have any of APT allocated costs been reported separately as either a direct cost or indirect cost?

A. No. All the costs have been pooled into one grouping that I would classify as all indirect costs and allocated accordingly.

Q. Please describe the Company's process of allocating the pooled APT costs.

A. APT pools costs from twelve distinct areas, such as audit, tax services, unit holder communications, trustee fees, and escrow/transfer fees etc. The total amount of these costs is $3,950,800. Next, the Company arrives at an allocation factor of 26.98 percent to be allocated to the seventeen utilities that the Fund owns. The 26.98 percent allocation factor is derived by dividing the seventeen utility companies by the 63 total companies to which it claims to own. RUCO does not agree that the Company has just 63 total companies but rather 70 as indicated in its 2008 APIF Annual Report. Then, APT takes the total cost of $3,950,800 and multiplies it by the 26.98 percent allocation factor that it claims the seventeen utility companies are attributable to arrive at $1,066,089, which RUCO also disagrees. Finally, the $1,066,089 is allocated to each of the seventeen utility companies based on each utility's customer count. In RRUI's case, the customer count represents approximately 12.92 percent of the total 64,094 customers in the seventeen utility companies. The Company's ultimately allocates 12.92 percent of the $1,066,089 to RRUI, which is

$137,706. That amount is allocated to RRUI Water and Wastewater Divisions based on its rate base to RRUI total combined rate base.

Q. If RUCO does not agree with the first allocation factor of 26.98 percent, what does RUCO recommend that allocation factor be?

A. RUCO has no problem with the Company's method of computing the allocation factor of 26.98 percent (17 / 63). RUCO disagrees with the variable of 63 being used. The 2008 Annual Report identifies 70 total companies to which the Fund owns. A more accurate allocation factor for the seventeen utility companies would be 24.29 percent (17 / 70).

Q. Does RUCO agree with the Company's total allocated cost of $1,066,089 to be shared (based on customer count) among the seventeen utility companies that the Fund owns?

A. No. This disagreement with the Company is nearly the entire amount of RUCO's recommended adjustment.

Q. What is RUCO's position regarding the allocated APT costs of $1,066,089 to be shared (based on customer count) among the seventeen utility companies that the Fund owns?

A. For all the reasons previously stated by RUCO, only a very small portion of the $1,066,089 is attributable to RRUI. RUCO cannot directly trace any of those costs to RRUI. The invoices essentially contain no detail. At the very most, only a fraction of the costs would appear to be attributable to a relatively small sewer company of roughly 2,100 customers such as RRUI.

Q. What APT expenses does RUCO believe could be attributable to RRUI?

A. RUCO's analysis and review determined that the audit, tax services, legal – general, and depreciation expenses could possibly benefit the ratepayers of RRUI to some minor extent.

Q. What amount of those expenses does RUCO believe could possibly benefit RRUI in the provision of utility service?

A. RUCO recommends the Commission allow no more than 25 percent of the APT audit, tax services, legal – general, and depreciation expenses and disallow 100 percent of the other APT expense as being much more attributable to the Fund's operating activities.

Q. Does RUCO agree with the Company's methodology in allocating RUCO's recommended level of APT costs to RRUI by customer count?

A. RUCO is in general agreement to allocate RUCO's recommended level of APT expenses to RRUI by customer count. However, other methods could be appropriate too. RUCO did recommend correcting the Company's 26.98 percent allocation factor to 24.29 percent. It is not so much the Company's allocation methodology that RUCO takes issue with, but rather the inappropriate and unnecessary nature of the expenses in the provision of utility service.

Q. Does RUCO believe RRUI would incur the APT type of expenses if it were a stand-alone utility and not multi-layered with corporate allocations by the non-regulated parent and affiliates?

A. RUCO believes that RRUI would incur some of the types of expenses (e.g., audit, tax services, and legal–general expenses) that APT was allocating down to its affiliates but certainly not the majority of the type of expenses being allocated by APT. RUCO will provide further analysis in surrebuttal testimony comparing stand-alone companies to companies structured as RRUI.

Q. Is RUCO aware that the Company claimed an additional $200,000 to $300,000 of APT expenses in the Litchfield Park rate case during discovery?

A. Yes. RUCO will make a further adjustment to the APT expenses in surrebuttal testimony after the Company files the additional expense.

…

Q. What adjustments did RUCO make to Outside Services in direct testimony to remove the majority of the APT related costs?

A. RUCO's adjustments remove $96,681 and $31,637 from Outside Services for the Water and Wastewater Divisions respectively. These adjustments are shown on Schedules TJC-14.

Operating Income Adj. #9 – Bad Debt Expense

Q. Please explain RUCO's adjustment to Bad Debt Expense.

A. This adjustment normalizes the Bad Debt Expense over three-years to obtain a more realistic and normal expense level than the amount recorded in test-year. This was especially true for the Wastewater Division where the test-year 2008 Bad Debt Expense was greater than 700 percent than that reported in 2006. The test-year Bad Debt Expense was more than 200 percent higher when compared to 2007. These wide fluctuations are mitigated by normalizing any extenuating circumstances leading to the abnormally high test-year expense levels. The Water Division did not experience the same wide fluctuations from year to year. RUCO did normalize the Water Division Bad debt Expense for the sake of consistency and fairness.

...

Q. What adjustments were necessary to smooth out the wide fluctuations reported in the Wastewater Division and to normalize the Water Division's Bad Debt Expense?

A. RUCO decreased the Wastewater Bad Debt Expense by $30,315 and increased the Water Division's Bad Debt Expense by $799. These adjustments are shown on Schedules TJC-15.

Operating Income Adj. #10 – Income Tax Expense

Q. Have you calculated the Income Tax Expenses based on RUCO's recommended adjusted operating incomes?

A. Yes. These adjustments are shown on Schedules TJC-16 for both the Water and Wastewater Divisions.

OTHER ISSUES

Low Income Tariff Program

Q. What is RUCO's position on the Company's proposed new HUF tariff?

A. RUCO is in general agreement with most HUF tariffs that are intended to fund new infrastructure created by growth and assists in equitably apportioning the cost of off-site facilities. However, RUCO does <u>not</u> support the Company's proposed HUF tariff as filed.

Hook Up Fee

Q. Why doesn't RUCO support the Company's proposed hook up fee ("HUF") tariff?

A. RUCO does not support the Company's HUF tariff because of certain language contained in the tariff and the Wastewater tariff is inconsistent with the amount of the HUF in the Company's testimony.

Q. What language in the HUF tariff is RUCO opposed?

A. Both the Water and Wastewater Divisions tariff state, "The Company shall not record amounts collected under this tariff as CIAC until such amounts have been expended for plant."

Q. Please give RUCO's reasoning for which it is in opposition to that particular language.

A. CIAC is non-investor funded capital. From the day the Company collects the CIAC from the developer or customer, the Company has use of those funds to expend them as it wishes. CIAC also frees up the investor supplied capital to be expended on other investments. The CIAC balance at any given point in time is the amount that has been collected up to that point in time. Arizona ratemaking does not defer CIAC to be recorded at a later time in the future.

...

Q. Hasn't the Commission granted accounting orders that allowed a Company to not record CIAC until a particular item of plant that the CIAC is funding is fully constructed, operational, and in gross utility plant in service?

A. Yes. The Commission has approved accounting orders that allowed a company to not record CIAC until a "specific" piece of plant is fully constructed, operational, and in gross utility plant in service. Normally, the Commission approves such an accounting order only in extraordinary circumstances. RRUI's request is far from an extraordinary circumstance. In fact, the Company's request for this special treatment of CIAC is for quite ordinary purposes.

Q. When did the Commission approve an accounting order that delayed the recording of collecting CIAC from non-investors?

A. A case that comes to mind is an Arizona-American Water Company's ("Arizona-American" or "AZ-AM") proceeding that involved construction of the White Tank Regional Treatment Plant?

Q. What was the parties' positions regarding delaying the recording of CIAC until the plant was fully constructed, operational, and in gross utility plant in service?

A. Arizona-American requested an accounting order to delay the recording of CIAC associated only with the White Tank Water Treatment Plant, which was estimated to cost approximately $74.8 Million and originally to be funded predominantly with CIAC. AZ-AM had planned on filing a rate case several years before the completion of the White Tank Plant that included the White Tank System. If the CIAC associated with the White Tank Plant had been recorded when collected, it would distort White Tanks' rate base because of the magnitude of the CIAC balance related to the specific plant item in question. The Commission granted approval of the accounting order, which delayed the recording of the associated CIAC, based primarily on the fact that it was indeed an extraordinary circumstance. RUCO was in support of the Company's request in that extraordinary instance.

Q. Then, is it RUCO's position that without some extraordinary circumstance, which does not exist in RRUI's situation, the Commission should reject the Company's request to not record CIAC on its books until the CIAC has been expended for some generic plant?

A. Yes.

Q. If RRUI were to strike that sentence from its proposed HUF tariff, would RUCO be in support of the Company's HUF to be treated as CIAC?

A. Yes, with one clarification. The Company's proposed HUF tariffs for both the Water and Wastewater Divisions show the HUF to be $1,800 for a 5/8 inch meter. However, Mr. Sorensen's testimony indicates the Wastewater

HUF to be $2,000 on page 10, line 23 of his testimony. RUCO would like the Company to clarify if it is $1,800 or $2,000.

Other Tariff Changes

Q. What changes to new service line installations charges has RRUI proposed?

A. The Company proposed a change in the cost of new service lines. RRUI has proposed that all service line installation charges be at "cost" rather than the current stated tariff rates.

Q. What is RUCO's position regarding that all service line installation charges be at "cost" rather than current stated tariff rates.

A. RUCO prefers that the current rates in the tariff be maintained. RUCO will defer this issue to Commission Staff engineers.

Late Payment Finance Charge

Q. Has the Company proposed a 1.5 percent late payment charge to be included in its tariff?

A. Yes.

Q. Is RUCO in support of the Company's proposed 1.5 percent late payment charge?

A. Yes. This is a common charge found in many utility bills.

Q. Does this conclude your testimony?

A. Yes, it does.

APPENDIX 1

Qualifications of Timothy J. Coley

WORK HISTORY

July 2000 – Present: **RESIDENTIAL UTILITY CONSUMER OFFICE,** Phoenix, Arizona
Public Utilities Analyst V. The Residential Utility Consumer Office (RUCO) is a consumer advocate group providing residential consumers a voice in utility regulation and backed by a professional staff with legal and financial expertise. Responsibilities include: audited, reviewed and analyzed public utility companies various filings; prepared written testimony, schedules, financial statements, and spreadsheet models and analyses. Testified and stand cross-examination before the Arizona Corporation Commission.

January 2000 - April 2000: **JACKSON HEWITT TAX SERVICE,** Phoenix, Arizona
Tax Preparer. Interviewed clients, determined tax situation, and explained how the tax laws benefited them in their specific situation. Ensured that each customer received every deduction that they were entitled. Prepared individual and business income tax returns, which best utilized each specific situation that minimized their tax obligations.

May 1998 - November 1999: **BENEFITS CONSULTING,** Cypress, Texas
Consultant Assistant. The consulting firm specialized in alleged medical claim charges brought against the government of Harris County in Houston, Texas. Assisted in the review, examination, and analysis of the attested charges. Determined if the purported medical claim charges were prudent, customary, and reasonable for the alleged sustained injuries. The firm analyzed cases for both the County's Risk Department and Attorneys Office.

January 1992 - April 1998: **PHOENIX SERVICES,** Villa Rica, Georgia
Owner. Provided landscaping services primarily in a high growth gated community where the Property Owners' Association approved mandated ordinances to be strictly adhered and abided by. Coordinated and supervised all aspects of projects from inception to completion, from master planning to site design to installation.

May 1989 - October 1991: **GEORGIA PUBLIC SERVICE COMMISSION,** Atlanta, GA
Senior Auditor. The Public Service Commission (PSC) was responsible for regulating many intrastate telecommunications, electric, and gas utility industries operating in Georgia. It was the PSC's job to ensure that consumers received adequate and reliable service at reasonable rates. It must also assure the utility companies and investors an opportunity to earn a fair rate of return on prudent investments. The Commission participated significantly in Georgia's economic health and growth. I was promoted to the PSC's Electric/Gas Division where I examined, verified, and analyzed various financial documents, accounting records, reports, ledgers, and statements. In addition, I was assigned to automate the PSC's Electric Division where I utilized a computer application process that I had developed earlier while with the (PSC) Telecommunication Division. I was later ascribed to work in conjunction with the Engineering Department and established a procedure to track and compare costs of operation and maintenance (O&M) expenses of nuclear electric generating plants. This effort determined a comparative price per kilowatt-hour produced that influenced the awareness for the company to control the O&M costs, which benefited the consumer through lower prices.

- Developed computer application system that streamlined audit procedures by 30 – 40%.
- Various other schedules were implemented to track, maintain, and control costs.

GEORGIA PUBLIC SERVICE COMMISSION (continued)

November 1986 - April 1989: **Georgia Public Service Commission,** Atlanta, Georgia
Auditor. Regulated telecommunications and also oversaw the deregulation process that was currently under way in that industry. Examined and analyzed accounting records to determine financial status of companies and prepared financial reports concerning audit findings. Reviewed data including payroll, time sheets, purchase vouchers, cash receipt ledgers, financial reports, and disbursements. Verified statewide telephone company transaction classifications and documentation.

- Developed computer application utilizing Lotus to completely automate and streamline the entire telecommunication audit process. The results saved 25% in field audit time and produced a product of professional appearance.
- Created, coordinated, and implemented "Operational Project Training" automated procedure-training program. Trained and supervised staff of five auditors.
- Computerized "Desk Audit Analysis" program that identified 11 independent telephone companies in the state of over-earning and resulted in $4.1M annual savings to the Georgia ratepayers affected.

October 1985 - October 1986: **Georgia Public Service Commission,** Atlanta, Georgia
Junior Auditor. Assisted in planning and performing telecommunication audit engagements. Examined financial records, internal management control, correspondence, bills, and records of services delivered in order to verify or recommend compliance with company specifications contained in contracts, agreements, regulations, and/or laws.

- As a special project, I was assigned to analyze the results of a survey designed to evaluate "Interest in Organizing a Multi-State Nuclear Management Review Group" by the Director of Utilities. Wrote the draft and findings for the speech that was presented to all participatory commissions.

PROFESSIONAL MEMBERSHIPS

- Elected Member of the National Honor Society for Public Affairs and Administration.
- Active Member of Delta Sigma Pi - Professional Business Fraternity.

SPECIAL TRAINING AND CERTIFICATES

- The Graduate School of Business Administration - Michigan State University; completed the Annual Regulatory Studies Program of the National Association of Regulatory Utility Commissioners.
- Completed Graduate Exit Paper on "Deregulation of the Electric Industry".
- Attended Eastern Utility Rate School in 2000 and 2005.

EDUCATION

- Currently enrolled at Arizona State University - West in the Post Baccalaureate Graduate Certificate Program in Accountancy with two courses remaining.
- Master of Public Administration, State University of West Georgia, 1997, GPA 3.5.
- BS Business Management & Administration, Minor in Economics, Sorrel School of Business, Troy State University, 1985.
- AA Business Administration, Miles Community College, 1981.

RESUME OF PUBLIC UTILITY RATE CASES & AUDITS PARTICIPATION

Residential Utility Consumer Office For Years 2000 To Present

Arizona-American Water Company – Docket No. WS-01303A-05-0405

Arizona Public Service Co. – Docket No. E-01345A-03-0437

Tucson Electric Power Company – Docket No. E-01933A-04-0408

UniSource Merger – Docket No. E-04230A-03-0933

Arizona-American Water Company – Docket No. WS-01303A-02-0867

Arizona Water Company (Eastern Group) – Docket No. W01445A-02-0619

Litchfield Park Service Company – Docket Nos. W-01427A-01-0487 & SW-01428A-01-0487

Arizona Water Company (Northern Group) – Docket No. W-01445A-00-0962

Rio Verde Utilities, Inc. – Docket Nos. W-02156A-00-0321 & SW-02156A-00-0323

Arizona-American Water Company (Paradise Valley) – Docket Nos. W-01303A-05-0405 & W-01303A-05-0910

Arizona-American Water Company (Mohave District) – Docket No. WS-01303A-06-0014

Arizona-American Water Company (Sun City & Sun Cit West Wastewater) – Docket No. WS-01303A-06-0491

Arizona-American Water Company - Docket No. W-01303A-07-0209

Chaparral City Water Company – Docket No. W-02113A-07-0551

Arizona-American Water Company - Docket No. W-01303A-08-0227

Arizona Water Company - Docket No. W-01445A-08-0440

Georgia Public Service Commission For Years 1985 – 1991

Atlanta Gas Light Company

Georgia Power Company

Atlanta Gas Light Company (Management Audit)

Georgia Power Company

Trenton Telephone Company

Fairmount Telephone Company

Ellijay Telephone Company

GTE, Inc.

ALL-TEL Telephone Company

Citizens Utilities Co.

Ball Ground Telephone Company

Lanett Telephone Company

Brantley Telephone Company

Blue Ridge Telephone Company

Waverly Hall Telephone Company

St. Marys Telephone Company

Darien Telephone Company

Statesboro Telephone Company

Statesboro Telephone Co-op

Wilkes Telephone Company

EXHIBIT 1

2008

Algonquin Power Income Fund

Annual Financial Results

Algonquin Power

Consolidated Balance Sheets

December 31, 2008 and 2007

(thousands of Canadian dollars)

	2008	2007
ASSETS		
Current assets:		
Cash	$ 5,902	$ 10,361
Accounts receivable	28,138	26,597
Prepaid expenses	2,832	3,052
Current portion of notes receivable (note 5)	485	421
Current portion of derivative assets	-	7,857
	37,357	48,288
Long-term investments and notes receivable (note 5)	27,134	30,047
Future non-current income tax asset	2,894	2,416
Property, plant and equipment (note 6)	804,965	760,677
Intangible assets (note 7)	97,398	99,529
Restricted cash	5,295	6,105
Deferred costs	243	80
Other assets (note 4)	2,844	2,737
Derivative assets	-	4,188
	$ 978,130	$ 954,067
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 34,074	$ 27,007
Distributions payable	1,587	11,649
Current portion of long-term liabilities (notes 10 and 12)	4,236	1,915
Current portion of derivative liabilities (note 8)	8,438	-
Current income tax liability (note 14)	541	669
Future income tax liability	1,191	756
	50,067	41,996
Long-term liabilities (notes 9 and 10)	293,590	281,725
Convertible debentures (note 11)	140,427	139,587
Other long-term liabilities (note 12)	28,859	23,771
Future non-current income tax liability (note 14)	85,654	80,785
Derivative liabilities (note 8)	25,116	-
Non controlling interest	12,548	21,700
Unitholders' equity:		
Trust units (note 13)	722,215	692,213
Deficit	(358,904)	(283,820)
Accumulated other comprehensive income	(21,442)	(43,890)
	341,869	364,503
Commitments and contigencies (note 18)		
	$ 978,130	**$** 954,067

See accompanying notes to consolidated financial statements

Approved bv the Trustees

K Moore — George Steeves

Ken Moore

George Steeves

1. Significant accounting policies: (continued)

(k) Foreign currency translation: (continued)

The ongoing review of the economic factors to be considered in determining whether foreign operations are integrated or self-sustaining has resulted in the determination that the Fund's operating entities in the Utility Services Division have changed to self-sustaining. This change was made as a result of the Utility Services Division entities' increasing proportion of operating, financing and investing transactions that are denominated in currencies other than the Canadian dollar. This change in method was effective at October 1, 2007 and was applied prospectively. These self-sustaining operations are translated into Canadian dollars using the current rate method, whereby assets and liabilities are translated at the rate prevailing at the balance sheet date while revenues and expenses are converted using average rates for the period. Unrealized gains or losses arising as a result of the translation of the operations of self-sustaining operations are reported as a component of Other Comprehensive Income in the Consolidated Statement of Comprehensive Income.

The Fund's remaining United States subsidiaries and partnership interests continue to be considered as functionally integrated with the Canadian operations and accounted for as integrated foreign operations.

(l) Asset retirement obligations:

The fair value of estimated asset retirement obligations is recognized in the consolidated balance sheet when identified and a reasonable estimate of fair value can be made. The asset retirement cost, equal to the estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. The asset retirement costs are depreciated over the asset's estimated useful life and are included in amortization expense on the Consolidated Statements of Operations. Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligation in the Consolidated Statements of Operations. Actual expenditures incurred are charged against the accumulated obligation. Based on the Fund's assessments the Company does not have any significant asset retirement obligations and therefore no provision for retirement obligations has been recorded in 2008 and 2007.

(m) Income taxes:

Income taxes are accounted for using the asset and liability method. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the year that includes the date of enactment or substantive enactment.

A valuation allowance is recorded against future tax assets to the extent that it is considered more likely than not that the future tax asset will not be realized.

14. Income taxes (continued)

The tax effect of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis that give rise to significant portions of the future tax assets and future tax liabilities at December 31, 2008 and 2007 are presented below:

	2008	2007
Future tax assets:		
Non-capital loss, debt restructuring charges and currently non-deductible interest carry forwards	$ 25,355	$ 19,561
Unrealized foreign exchange differences on US entity debt	11,674	30,003
Customer advances in aid of construction	6,768	4,414
Foreign exchange hedges and interest rate swaps	3,940	-
Total future tax assets	47,737	53,978
Less: Valuation allowance	(24,705)	(42,996)
Total future tax assets	23,032	10,982
Future tax liabilities:		
Property, plant and equipment	(95,007)	(81,567)
Intangible assets	(9,861)	(8,174)
Other	(2,115)	(366)
Total future tax liabilities	(106,983)	(90,107)
Net future tax liability	$ (83,951)	$ (79,125)

Classified in the financial statements as:

	2008	2007
Future non-current income tax asset	$ 2,894	$ 2,416
Future current income tax liability	(1,191)	(756)
Future non-current income tax liability	(85,654)	(80,785)
	$ (83,951)	$ (79,125)

Current income tax recoverable of $1,538 (2007 - $nil) is included as part of accounts receivable on the financial statements.

On June 22, 2007 legislation ("the SIFT Rules") relating to the federal income taxation of publicly-traded trusts and partnerships received royal assent. Under transitional relief the SIFT Rules will not apply to a publicly-traded trust or partnership that is a "specified investment flow through entity" (a "SIFT") which was listed before November 1, 2006 ("Existing Trust") until taxation years ending in or after 2011. The SIFT Rules do not affect the current and future tax amounts of the Fund's corporate subsidiaries.

Under the SIFT Rules, distributions of certain income by a SIFT will not be deductible in computing the SIFT's taxable income, and the SIFT will be subject to tax on such income at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. A SIFT's income that is dividends or income received directly from foreign sources will continue to be taxed to unitholders under the existing rules and distributions paid by a SIFT as returns of capital will not be subject to this tax. An Existing Trust may lose its transitional relief where its equity capital grows beyond certain dollar limits measured by reference to the Existing Trust's market capitalization at the close of trading on October 31, 2006 in which case application of this tax to an Existing Trust may commence before 2011.

EXHIBIT 2

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

WS-02676A
Rio Rico Utilities Inc.
12725 W. Indian School Rd. Suite D101
Avondale, AZ 85392

ANNUAL REPORT

FOR YEAR ENDING

12	31	2008

FOR COMMISSION USE

ANN06	07

COMPANY NAME
Rio Rico Utilities, Inc (Water)

BALANCE SHEET

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	$ 75,786	$ 78,710
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	(19,893)	292,048
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments	16,846	9,603
174	Miscellaneous Current and Accrued Assets	1,715,216	1,929,391
	TOTAL CURRENT AND ACCRUED ASSETS	**$ 1,787,955**	**$ 2,309,751**
	FIXED ASSETS		
101	Utility Plant in Service	$ 30,312,040	$ 32,844,626
103	Property Held for Future Use		
105	Construction Work in Progress	1,368,681	813,309
108	Accumulated Depreciation - Utility Plant	10,312,729	10,986,265
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	TOTAL FIXED ASSETS	$ 21,367,992	$ 22,671,670
	TOTAL ASSETS	**$ 23,155,947**	**$ 24,981,422**

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

COMPANY NAME
Rio Rico Utilities, Inc (Water)

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITES		
231	Accounts Payable	$ 19,634	$ 16,001
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies	(160,429)	543,237
235	Customer Deposits	110,138	103,380
236	Accrued Taxes	61,275	74,300
237	Accrued Interest	2,705	2,605
241	Miscellaneous Current and Accrued Liabilities	1,310,800	1,603,737
	TOTAL CURRENT LIABILITIES	$ 1,344,124	$ 2,343,261
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds		
	DEFERRED CREDITS		
251	Unamortized Premium on Debt		
252	Advances in Aid of Construction	208,128	275,455
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	20,324,408	20,262,569
272	Less: Amortization of Contributions	6,136,557	6,676,552
281	Accumulated Deferred Income Tax	(104,031)	72,985
	TOTAL DEFERRED CREDITS	$ 14,291,947	$ 13,934,457
	TOTAL LIABILITIES	$ 15,636,072	$ 16,277,717
	CAPITAL ACCOUNTS		
201	Common Stock Issued	$ 1	$ 1
211	Paid in Capital in Excess of Par Value	7,130,561	7,130,561
215	Retained Earnings	389,313	1,573,143
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	$ 7,519,875	$ 8,703,705
	TOTAL LIABILITIES AND CAPITAL	**$ 23,155,947**	**$ 24,981,422**

EXHIBIT 3

RIO RICO UTILITIES, INC.
DOCKET NO. WS-02676A-09-0257
RESPONSE TO RUCO'S THIRD SET OF DATA REQUESTS

November 16, 2009

Response provided by: Rio Rico Utilities, Inc.

Address: 12725 W Indian School Rd Suite D-101
Avondale, AZ 85392

Company Response Number: 3.03

Q. Accumulated Deferred Income Tax (ADIT) – Admit that the Commission did not authorize any ADIT in the last Decision No. 67279. If denied, please explain why.

RESPONSE: Deny. The decision speaks for itself.

Rio Rico Utilities, Inc. / Water
Test Year Ended December 31, 2002
Summary of Rate Base

Exhibit
Schedule B-1
Page 1
Witness: Kozoman

Line No.			
1	Gross Utility Plant in Service	$	25,375,732
2	Less: Accumulated Depreciation		8,160,455
3			
4	Net Utility Plant in Service	$	17,215,277
5			
6	Less:		
7	Advances in Aid of		
8	Construction		88,934
9	Contributions in Aid of		
10	Construction - Net of amortization		14,955,477
11	Customer Meter Deposits		80,898
12			
13	Plus:		
14	Allowance for Working Capital		119,316
15			
16			
17	Total Rate Base	$	2,209,283
18			
19			
20	SUPPORTING SCHEDULES:		
21	(a) B-2		
22	(b) B-3		

EXHIBIT 4

Chapter 3
The Corporate Income Tax

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Temporary Differences
(1 of 2)

- Deferred tax liabilities occur when
  - Rev/gains recognized earlier for book than tax
  - Exp/losses deducted earlier for tax than book
  - Tax basis of asset < book basis
  - Tax basis of liability > book basis

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Temporary Differences
(2 of 2)

- Deferred tax assets occur when
  - Rev/gains recognized earlier for tax than book
  - Exp/losses deducted earlier for book than tax
  - Tax basis of asset > book basis
  - Tax basis of liability < book basis
  - Loss/credit carryforwards exist

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End
Chapter 3

Comments or questions about PowerPoint Slides?
Contact Dr. Richard Newmark at
University of Northern Colorado's
Kenneth W. Monfort College of Business
richard.newmark@PhDuh.com

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EXHIBIT 5

Statement of Financial Accounting Standards No. 109

FAS109 Status Page
FAS109 Summary

Accounting for Income Taxes

February 1992

Financial Accounting Standards Board
of the Financial Accounting Foundation
401 MERRITT 7, P.O. BOX 5116, NORWALK, CONNECTICUT 06856-5116

those circumstances, the procedures to allocate the remaining amount to items other than continuing operations are as follows:

a. Determine the effect on income tax expense or benefit for the year of the total net loss for all net loss items
b. Apportion the tax benefit determined in (a) ratably to each net loss item
c. Determine the amount that remains, that is, the difference between (1) the amount to be allocated to all items other than continuing operations and (2) the amount allocated to all net loss items
d. Apportion the tax expense determined in (c) ratably to each net gain item.

Refer to paragraphs 273-276 for additional guidance.

Certain Quasi Reorganizations

39. The tax benefits of deductible temporary differences and carryforwards as of the date of a quasi reorganization as defined and contemplated in ARB No. 43, Chapter 7, "Capital Accounts," ordinarily are reported as a direct addition to contributed capital if the tax benefits are recognized in subsequent years. The only exception is for enterprises that have previously both adopted Statement 96 and effected a quasi reorganization that involves only the elimination of a deficit in retained earnings by a concurrent reduction in contributed capital prior to adopting this Statement. For those enterprises, subsequent recognition of the tax benefit of prior deductible temporary differences and carryforwards is included in income and reported as required by paragraph 37 (without regard to the referenced exceptions) and then reclassified from retained earnings to contributed capital. Those enterprises should disclose (a) the date of the quasi reorganization, (b) the manner of reporting the tax benefits and that it differs from present accounting requirements for other enterprises and (c) the effect of those tax benefits on income from continuing operations, income before extraordinary items, and on net income (and on related per share amounts).

Separate Financial Statements of a Subsidiary

40. The consolidated amount of current and deferred tax expense for a group that files a consolidated tax return shall be allocated among the members of the group when those members issue separate financial statements. This Statement does not require a single allocation method. The method adopted, however, shall be systematic, rational, and consistent with the broad principles established by this Statement. A method that allocates current and deferred taxes to members of the group by applying this Statement to each member as if it were a separate taxpayer [10] meets those criteria. Examples of methods that are not consistent with the broad principles established by this Statement include:

a. A method that allocates only current taxes payable to a member of the group that has taxable temporary differences

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b. A method that allocates deferred taxes to a member of the group using a method fundamentally different from the asset and liability method described in this Statement (for example, the Opinion 11 deferred method)
c. A method that allocates no current or deferred tax expense to a member of the group that has taxable income because the consolidated group has no current or deferred tax expense.

Certain disclosures are also required (paragraph 49).

Financial Statement Presentation

41. In a classified statement of financial position, an enterprise shall separate deferred tax liabilities and assets into a current amount and a noncurrent amount. Deferred tax liabilities and assets shall be classified as current or noncurrent based on the classification of the related asset or liability for financial reporting. A deferred tax liability or asset that is not related to an asset or liability for financial reporting (paragraph 15), including deferred tax assets related to carryforwards, shall be classified according to the expected reversal date of the temporary difference pursuant to FASB Statement No. 37, *Balance Sheet Classification of Deferred Income Taxes.* The valuation allowance for a particular tax jurisdiction shall be allocated between current and noncurrent deferred tax assets for that tax jurisdiction on a pro rata basis.

42. For a particular tax-paying component of an enterprise and within a particular tax jurisdiction, (a) all current deferred tax liabilities and assets shall be offset and presented as a single amount and (b) all noncurrent deferred tax liabilities and assets shall be offset and presented as a single amount. However, an enterprise shall not offset deferred tax liabilities and assets attributable to different tax-paying components of the enterprise or to different tax jurisdictions.

Financial Statement Disclosure

43. The components of the net deferred tax liability or asset recognized in an enterprise's statement of financial position shall be disclosed as follows:

a. The total of all deferred tax liabilities measured in procedure (b) of paragraph 17
b. The total of all deferred tax assets measured in procedures (c) and (d) of paragraph 17
c. The total valuation allowance recognized for deferred tax assets determined in procedure (e) of paragraph 17.

The net change during the year in the total valuation allowance also shall be disclosed. A **public enterprise** shall disclose the approximate tax effect of each type of temporary difference and carryforward that gives rise to a significant portion of deferred tax liabilities and deferred tax assets (before allocation of valuation allowances). A **nonpublic enterprise** shall disclose the types of significant temporary differences and carryforwards but may omit disclosure of the tax effects of each type. A public enterprise that is not subject to income taxes because its income is

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taxed directly to its owners shall disclose that fact and the net difference between the tax bases and the reported amounts of the enterprise's assets and liabilities.

44. The following information shall be disclosed whenever a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes for any of the areas addressed by Opinion 23 (as amended by this Statement) or for deposits in statutory reserve funds by U.S. steamship enterprises:

a. A description of the types of temporary differences for which a deferred tax liability has not been recognized and the types of events that would cause those temporary differences to become taxable
b. The cumulative amount of each type of temporary difference
c. The amount of the unrecognized deferred tax liability for temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration if determination of that liability is practicable or a statement that determination is not practicable
d. The amount of the deferred tax liability for temporary differences other than those in (c) above (that is, undistributed domestic earnings, the bad-debt reserve for tax purposes of a U.S. savings and loan association or other qualified thrift lender, the policyholders' surplus of a life insurance enterprise, and the statutory reserve funds of a U.S. steamship enterprise) that is not recognized in accordance with the provisions of paragraphs 31 and 32.

45. The significant components of income tax expense attributable to continuing operations for each year presented shall be disclosed in the financial statements or notes thereto. Those components would include, for example:

a. **Current tax expense or benefit**
b. Deferred tax expense or benefit (exclusive of the effects of other components listed below)
c. Investment tax credits
d. Government grants (to the extent recognized as a reduction of income tax expense)
e. The benefits of operating loss carryforwards
f. Tax expense that results from allocating certain tax benefits either directly to contributed capital or to reduce goodwill or other noncurrent intangible assets of an acquired entity
g. Adjustments of a deferred tax liability or asset for enacted changes in tax laws or rates or a change in the tax status of the enterprise
h. Adjustments of the beginning-of-the-year balance of a valuation allowance because of a change in circumstances that causes a change in judgment about the realizability of the related deferred tax asset in future years.

46. The amount of income tax expense or benefit allocated to continuing operations and the amounts separately allocated to other items (in accordance with the provisions of paragraphs 35-39) shall be disclosed for each year for which those items are presented.

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47. A public enterprise shall disclose a reconciliation using percentages or dollar amounts of (a) the reported amount of income tax expense attributable to continuing operations for the year to (b) the amount of income tax expense that would result from applying domestic federal statutory tax rates to pretax income from continuing operations. The "statutory" tax rates shall be the regular tax rates if there are alternative tax systems. The estimated amount and the nature of each significant reconciling item shall be disclosed. A nonpublic enterprise shall disclose the nature of significant reconciling items but may omit a numerical reconciliation. If not otherwise evident from the disclosures required by this paragraph and paragraphs 43-46, all enterprises shall disclose the nature and effect of any other significant matters affecting comparability of information for all periods presented.

48. An enterprise shall disclose (a) the amounts and expiration dates of operating loss and tax credit carryforwards for tax purposes and (b) any portion of the valuation allowance for deferred tax assets for which subsequently recognized tax benefits will be allocated to reduce goodwill or other noncurrent intangible assets of an acquired entity or directly to contributed capital (paragraphs 30 and 36).

49. An entity that is a member of a group that files a consolidated tax return shall disclose in its separately issued financial statements:

a. The aggregate amount of current and deferred tax expense for each statement of earnings presented and the amount of any tax-related balances due to or from affiliates as of the date of each statement of financial position presented
b. The principal provisions of the method by which the consolidated amount of current and deferred tax expense is allocated to members of the group and the nature and effect of any changes in that method (and in determining related balances to or from affiliates) during the years for which the disclosures in (a) above are presented.

Effective Date and Transition

50. This Statement shall be effective for fiscal years beginning after December 15, 1992. Earlier application is encouraged. Financial statements for any number of consecutive fiscal years before the effective date may be restated to conform to the provisions of this Statement. Initial application of this Statement shall be as of the beginning of an enterprise's fiscal year (that is, if the Statement is adopted prior to the effective date and during an interim period other than the first interim period, all prior interim periods of that fiscal year shall be restated). Application of the requirements for recognition of a deferred tax liability or asset for a restated interim or annual period shall be based on the facts and circumstances as they existed at that prior date and without the benefit of hindsight.

51. The effect of initially applying this Statement shall be reported as the effect of a change in accounting principle in a manner similar to the cumulative effect of a change in accounting principle (APB Opinion No. 20, *Accounting Changes,* paragraph 20) except for initially

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EXHIBIT 6

Guidelines for Cost Allocations and Affiliate Transactions:

The following Guidelines for Cost Allocations and Affiliate Transactions (Guidelines) are intended to provide guidance to jurisdictional regulatory authorities and regulated utilities and their affiliates in the development of procedures and recording of transactions for services and products between a regulated entity and affiliates. The prevailing premise of these Guidelines is that allocation methods should not result in subsidization of non-regulated services or products by regulated entities unless authorized by the jurisdictional regulatory authority. These Guidelines are not intended to be rules or regulations prescribing how cost allocations and affiliate transactions are to be handled. They are intended to provide a framework for regulated entities and regulatory authorities in the development of their own policies and procedures for cost allocations and affiliated transactions. Variation in regulatory environment may justify different cost allocation methods than those embodied in the Guidelines.

The Guidelines acknowledge and reference the use of several different practices and methods. It is intended that there be latitude in the application of these guidelines, subject to regulatory oversight. The implementation and compliance with these cost allocations and affiliate transaction guidelines, by regulated utilities under the authority of jurisdictional regulatory commissions, is subject to Federal and state law. Each state or Federal regulatory commission may have unique situations and circumstances that govern affiliate transactions, cost allocations, and/or service or product pricing standards. For example, The Public Utility Holding Company Act of 1935 requires registered holding company systems to price "at cost" the sale of goods and services and the undertaking of construction contracts between affiliate companies.

The Guidelines were developed by the NARUC Staff Subcommittee on Accounts in compliance with the Resolution passed on March 3, 1998 entitled "Resolution Regarding Cost Allocation for the Energy Industry" which directed the Staff Subcommittee on Accounts together with the Staff Subcommittees on Strategic Issues and Gas to prepare for NARUC's consideration, "Guidelines for Energy Cost Allocations." In addition, input was requested from other industry parties. Various levels of input were obtained in the development of the Guidelines from the Edison Electric Institute, American Gas Association, Securities and Exchange Commission, the Federal Energy Regulatory Commission, Rural Utilities Service and the National Rural Electric Cooperatives Association as well as staff of various state public utility commissions.

In some instances, non-structural safeguards as contained in these guidelines may not be sufficient to prevent market power problems in strategic markets such as the generation market. Problems arise when a firm has the ability to raise prices above market for a sustained period and/or impede output of a product or service. Such concerns have led some states to develop codes of conduct to govern relationships between the regulated utility and its non-regulated affiliates. Consideration should be given to any "unique" advantages an incumbent utility would have over competitors in an emerging market such as the retail energy market. A code of conduct should be used in conjunction with guidelines on cost allocations and affiliate transactions.

A. DEFINITIONS

1. Affiliates - companies that are related to each other due to common ownership or control.

2. Attestation Engagement - one in which a certified public accountant who is in the practice of public accounting is contracted to issue a written communication that expresses a conclusion about the reliability of a written assertion that is the responsibility of another party.

3. Cost Allocation Manual (CAM) - an indexed compilation and documentation of a company's cost allocation policies and related procedures.

4. Cost Allocations - the methods or ratios used to apportion costs. A cost allocator can be based on the origin of costs, as in the case of cost drivers; cost-causative linkage of an indirect nature; or one or more overall factors (also known as general allocators).

5. Common Costs - costs associated with services or products that are of joint benefit between regulated and non-regulated business units.

6. Cost Driver - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.

7. Direct Costs - costs which can be specifically identified with a particular service or product.

8. Fully Allocated costs - the sum of the direct costs plus an appropriate share of indirect costs.

9. Incremental pricing - pricing services or products on a basis of only the additional costs added by their operations while one or more pre-existing services or products support the fixed costs.

10. Indirect Costs - costs that cannot be identified with a particular service or product. This includes but not limited to overhead costs, administrative and general, and taxes.

11. Non-regulated - that which is not subject to regulation by regulatory authorities.

12. Prevailing Market Pricing - a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.

13. Regulated - that which is subject to regulation by regulatory authorities.

14. Subsidization - the recovery of costs from one class of customers or business unit that are attributable to another.

B. COST ALLOCATION PRINCIPLES

The following allocation principles should be used whenever products or services are provided between a regulated utility and its non-regulated affiliate or division.

1. To the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided.

2. The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, regulatory authorities may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates.

3. To the extent possible, all direct and allocated costs between regulated and non-regulated services and products should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts. Documentation should be made available to the appropriate regulatory authority upon request regarding transactions between the regulated utility and its affiliates.

4. The allocation methods should apply to the regulated entity's affiliates in order to prevent

subsidization from, and ensure equitable cost sharing among the regulated entity and its affiliates, and vice versa.

5. All costs should be classified to services or products which, by their very nature, are either regulated, non-regulated, or common to both.

6. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.

7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

C. COST ALLOCATION MANUAL (NOT TARIFFED)

Each entity that provides both regulated and non-regulated services or products should maintain a cost allocation manual (CAM) or its equivalent and notify the jurisdictional regulatory authorities of the CAM's existence. The determination of what, if any, information should be held confidential should be based on the statutes and rules of the regulatory agency that requires the information. Any entity required to provide notification of a CAM(s) should make arrangements as necessary and appropriate to ensure competitively sensitive information derived therefrom be kept confidential by the regulator. At a minimum, the CAM should contain the following:

1. An organization chart of the holding company, depicting all affiliates, and regulated entities.

2. A description of all assets, services and products provided to and from the regulated entity and each of its affiliates.

3. A description of all assets, services and products provided by the regulated entity to non-affiliates.

4. A description of the cost allocators and methods used by the regulated entity and the cost allocators and methods used by its affiliates related to the regulated services and products provided to the regulated entity.

D. AFFILIATE TRANSACTIONS (NOT TARIFFED)

The affiliate transactions pricing guidelines are based on two assumptions. First, affiliate transactions raise the concern of self-dealing where market forces do not necessarily drive prices. Second, utilities have a natural business incentive to shift costs from non-regulated competitive operations to regulated monopoly operations since recovery is more certain with captive ratepayers. Too much flexibility will lead to subsidization. However, if the affiliate transaction pricing guidelines are too rigid, economic transactions may be discouraged.

The objective of the affiliate transactions' guidelines is to lessen the possibility of subsidization in order to protect monopoly ratepayers and to help establish and preserve competition in the electric generation and the electric and gas supply markets. It provides ample flexibility to accommodate exceptions where the outcome is in the best interest of the utility, its ratepayers and competition. As with any transactions, the burden of proof for any exception from the general rule rests with the proponent of the exception.

1. Generally, the price for services, products and the use of assets provided by a regulated entity to its non-regulated affiliates should be at the higher of fully allocated costs or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

2. Generally, the price for services, products and the use of assets provided by a non-regulated affiliate to a regulated affiliate should be at the lower of fully allocated cost or prevailing market prices. Under appropriate circumstances, prices could be based on incremental cost, or other pricing mechanisms as determined by the regulator.

3. Generally, transfer of a capital asset from the utility to its non-regulated affiliate should be at the greater of prevailing market price or net book value, except as otherwise required by law or regulation. Generally, transfer of assets from an affiliate to the utility should be at the lower of prevailing market price or net book value, except as otherwise required by law or regulation. To determine prevailing market value, an appraisal should be required at certain value thresholds as determined by regulators.

4. Entities should maintain all information underlying affiliate transactions with the affiliated utility for a minimum of three years, or as required by law or regulation.

E. AUDIT REQUIREMENTS

1. An audit trail should exist with respect to all transactions between the regulated entity and its affiliates that relate to regulated services and products. The regulator should have complete access to all affiliate records necessary to ensure that cost allocations and affiliate transactions are conducted in accordance with the guidelines. Regulators should have complete access to affiliate records, consistent with state statutes, to ensure that the regulator has access to all relevant information necessary to evaluate whether subsidization exists. The auditors, not the audited utilities, should determine what information is relevant for a particular audit objective. Limitations on access would compromise the audit process and impair audit independence.

2. Each regulated entity's cost allocation documentation should be made available to the company's internal auditors for periodic review of the allocation policy and process and to any jurisdictional regulatory authority when appropriate and upon request.

3. Any jurisdictional regulatory authority may request an independent attestation engagement of the CAM. The cost of any independent attestation engagement associated with the CAM, should be shared between regulated and non-regulated operations consistent with the allocation of similar common costs.

4. Any audit of the CAM should not otherwise limit or restrict the authority of state regulatory authorities to have access to the books and records of and audit the operations of jurisdictional utilities.

5. Any entity required to provide access to its books and records should make arrangements as necessary and appropriate to ensure that competitively sensitive information derived therefrom be kept confidential by the regulator.

F. REPORTING REQUIREMENTS

1. The regulated entity should report annually the dollar amount of non-tariffed transactions

associated with the provision of each service or product and the use or sale of each asset for the following:

a. Those provided to each non-regulated affiliate.

b. Those received from each non-regulated affiliate.

c. Those provided to non-affiliated entities.

2. Any additional information needed to assure compliance with these Guidelines, such as cost of service data necessary to evaluate subsidization issues, should be provided.

Rio Rico Utilities, Inc.
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Test Year Ended December 31, 2008

Water Division

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Water Division
Schedule TJC-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION		(A) COMPANY OCRB/FVRB COST		(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$	8,455,517	$	7,045,555
2	Adjusted Operating Income (Loss)	$	(214,606)	$	(17,940)
3	Current Rate of Return (L2 / L1)		-2.54%		-0.25%
4	Required Operating Income (L5 X L1)	$	1,048,484	$	556,881
5	Required Rate of Return on Fair Value Rate Base		12.40%		7.90%
6	Operating Income Deficiency (L4 - L2)	$	1,263,090	$	574,820
7	Gross Revenue Conversion Factor (TJC-1, Page 2)		1.6286		1.6286
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$	2,057,112	$	936,172
9	Adjusted Test Year Revenue	$	1,847,256	$	1,874,057
10	Proposed Annual Revenue (L8 + L9)	$	3,904,369	$	2,810,229
15	Required Percentage Increase in Revenue (L8 / L9)		111.36%		49.95%
16	Rate of Return on Common Equity		12.40%		9.00%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-6, and TJC-17

Rio Rico Utilities, Inc.
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Water Division
Schedule TJC-1

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3860			
3	Subtotal (L1 - L2)	0.6140			
4	**Revenue Conversion Factor** (L1 / L3)	**1.6286**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	34.0000%			
9	Effective Federal Income Tax Rate (L7 X L8)	31.6309%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	38.5989%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 556,881			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	(17,940)			
13	Required Increase In Operating Income (L11 - L12)		$ 574,820		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 239,170			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	(122,182)			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ 361,352		
17	Total Required Increase In Revenue (L13 + L16)		$ 936,172		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 2,810,229	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			2,014,178	
20	Synchronized Interest (Col. (C), L37)			176,421	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 619,630	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 43,176
24	Fed. Taxable Income (L21 - L23)			$ 576,455	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 91,650	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ 82,095	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 195,995
31	Combined Federal and State Income Tax (L23 + L30)				$ 239,170
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ (122,182)
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ 361,352
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				34.00%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. TJC-2, Col. (C), L17)			$ 7,045,555	
				2.50%	
				$ 176,421	

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant in Service	$ 34,059,801	$ -	$ 34,059,801
2	Less: Accumulated Depreciation	(12,472,661)	(130,701)	(12,603,362)
3	Net Utility Plant In Service (Sum L1 & L2)	$ 21,587,140	$ (130,701)	$ 21,456,439
	Less:			
4	Advances in Aid of Construction	(73,648)	(48,724)	(122,372)
5	Contribution in Aid of Construction	(20,188,921)	48,724	(20,140,197)
6	Accumulated Amortization of CIAC	6,628,197	-	6,628,197
7	NET CIAC (L5 + L6)	$ (13,560,724)	$ 48,724	$ (13,512,000)
8	Customer Meter Deposits	(275,455)	-	(275,455)
9	Deferred Income Taxes & Credits	778,203	(1,279,260)	(501,057)
	Plus:			
10	Unamortized Debt Issuance Costs	-	-	-
11	Deferred Regulatory Assets	-	-	-
12	Allowance For Working Capital	-	-	-
13	Rounding	1	-	1
14	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 8,455,517	$ (1,409,962)	$ 7,045,555

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 DEFERRED INCOME TAXES	(D) ADJMT NO. 3 PER RUCO DR 1.08	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6	(H) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant in Service	$ 34,059,801	$ -	$ -	$ -	$ -	$ -	$ -	$ 34,059,801
2	Less: Accumulated Depreciation	(12,472,661)	(130,701)	-	-	-	-	-	(12,603,362)
3	Net Utility Plant In Service (Sum L1 & L2)	$ 21,587,140	$ (130,701)	$ -	$ -	$ -	$ -	$ -	$ 21,456,439
	Less:								
4	Advances in Aid of Construction	$ (73,648)	$ -	$ -	$ (48,724)	$ -	$ -	$ -	$ (122,372)
5	Contribution in Aid of Construction	(20,188,921)	-	-	48,724	-	-	-	(20,140,197)
6	Accumulated Amortization of CIAC	6,628,197	-	-	-	-	-	-	6,628,197
7	NET CIAC (L5 + L6)	$ (13,560,724)	$ -	$ -	$ 48,724	$ -	$ -	$ -	$ (13,512,000)
8	Customer Meter Deposits	(275,455)	-	-	-	-	-	-	(275,455)
9	Deferred Income Taxes & Credits	778,203	-	(1,279,260)	-	-	-	-	(501,057)
	Plus:								
10	Unamortized Debt Issuance Costs	-	-	-	-	-	-	-	-
11	Deferred Regulatory Assets	-	-	-	-	-	-	-	-
12	Allowance For Working Capital	-	-	-	-	-	-	-	-
13	Rounding	1	-	-	-	-	-	-	1
14	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 8,455,517	$ (130,701)	$ (1,279,260)	$ -	$ -	$ -	$ -	$ 7,045,555

Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Accumulated Depreciation (See Schedule TJC-4, pages 1 - 7, and TJC Testimony)
Column (C): Adjustment No. 2 - Deferred Income Taxes (See Schedule TJC-5)
Column (D): Adjustment No. 3 - To Adjust AIAC & CIAC Balances Per Company Response to RUCO DR 1.08 and Discussed in TJC Testimony
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/2003 To 9/30/2004	(B) DEPRECIATION RATE 10/1/2004 To 12/31/2008	(C) 12/31/2002 Per Decision No. 67279	(D) Accumulated Depreciation Per Dec. 67279	(E) Plant Balance 12/31/2002
1	301	Organization	0.00%	0.00%	$ 5,785	$ -	$ 5,785
2	302	Franchises	0.00%	0.00%	417	-	417
3	303	Land and Land Rights	0.00%	0.00%	44,194	-	44,194
4	304	Structures and Improvements	1.99%	3.33%	435,181	104,047	435,181
5	305	Collecting and Impounding Res.	0.00%	2.50%	-	-	-
6	306	Lake, River and Other Intakes	0.00%	2.50%	-	-	-
7	307	Wells and Springs	3.31%	3.33%	272,063	78,656	272,063
8	308	Infiltration Galleries and Tunnels	0.00%	6.67%	-	-	-
9	309	Supply Mains	1.66%	2.00%	29,881	(3,617)	29,881
10	310	Power Generation Equipment	3.96%	5.00%	52,635	19,077	52,635
11	311	Electtric Pumping Equipment	3.96%	12.50%	1,504,459	508,421	1,504,459
12	320	Water Treatment Equipment	3.99%	3.33%	268,685	74,460	268,685
13	320.1	Water Treatment Equipment	3.99%	3.33%	-	-	-
14	320.2	Chemical Solution Feeders	3.99%	20.00%	-	-	-
15	330	Distribution Reservoirs & Standpipe	2.00%	2.22%	353,111	106,812	353,111
16	330.1	Storage Tanks	2.00%	2.22%	-	-	-
17	330.2	Pressure Tanks	2.00%	5.00%	-	-	-
18	331	Transmission & Distribution Mains	1.66%	2.00%	19,116,148	5,899,199	19,116,148
19	333	Services	2.49%	3.33%	1,465,553	483,437	1,465,553
20	334	Meters	2.49%	8.33%	519,191	82,474	519,191
21	335	Hydrants	1.99%	2.00%	459,227	92,050	459,227
22	336	Backflow Prevention Devices	4.01%	6.67%	-	-	-
23	339	Other Plant and Miscellaneous Equipment	0.00%	6.67%	-	-	-
24	340	Office Furniture and Fixtures	4.80%	6.67%	22,986	9,507	22,986
25	340.1	Computers and Software	4.80%	20.00%	69,494	18,780	69,494
26	341	Transportation Equipment	33.33%	20.00%	2,925	4,954	2,925
27	342	Stores Equipment	0.00%	4.00%	-	-	-
28	343	Tools and Work Equipment	4.00%	5.00%	15,035	5,054	15,035
29	344	Laboratory Equipment	4.00%	10.00%	3,061	1,378	3,061
30	345	Power Operated Equipment	0.00%	5.00%	-	-	-
31	346	Communication Equipment	5.03%	10.00%	141,858	19,381	141,858
32	347	Miscellaneous Equipment	4.89%	10.00%	7,701	2,709	7,701
33	348	Other Tangible Plant	0.00%	10.00%		-	-
34		Rounding			-	-	-
35		**TOTAL DIRECT WATER PLANT**			$ 24,789,590	$ 7,506,779	$ 24,789,590
36		Post Test Year Plant (PTYP)			-	-	-
37		**RUCO Total Water Plant In Service**			$ 24,789,590	$ 7,506,779	$ 24,789,590
38							
39		**Company Direct Plant As Filed**					
40							
41		**RUCO Direct Plant Adjustment**					
42							
43		Reserve Deficiency Accrual					
44							
45		Net (Salvage)/Cost of Removal					
46		Accumulated Depreciation			$ 7,506,779		$ 7,506,779
47		Accumulated Depreciation - PTYP			-	-	-
48		RUCO Total Accumulated Depreciation - Calculated			$ 7,506,779		$ 7,506,779
49							
50		Company As Filed - Accumulated Depreciation			-	-	7,506,779
51		**RUCO Direct Plant Accumulated Depreciation Adjustment**				$ -	$ -
52							
53		**RUCO Net Adjustment**					
54							
55							
56							

57 References:
58 Column (A): Approved Depreciation Rate From Decision No.
59 Columns (B): Approved Depreciation Rate From Decision No. 67279

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Plant Reconciliation Schedule

Water Division
Schedule TJC-4 - Direct Plant
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LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/2003 To 9/30/2004	(B) DEPRECIATION RATE 10/1/2004 To 12/31/2008	2003 Additions	2003 Retirements	2003 Adjustments	2003 Depreciation Expense	2003 Balance 12/31/2003
1	301	Organization	0.00%	0.00%	-	-	-	$ -	$ 5,785
2	302	Franchises	0.00%	0.00%	-	-	-	-	417
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	44,194
4	304	Structures and Improvements	1.99%	3.33%	253,614	-	-	11,184	688,795
5	305	Collecting and Impounding Res.	0.00%	2.50%	-	-	-	-	-
6	306	Lake, River and Other Intakes	0.00%	2.50%	-	-	-	-	-
7	307	Wells and Springs	3.31%	3.33%	-	-	-	9,005	272,063
8	308	Infiltration Galleries and Tunnels	0.00%	6.67%	-	-	-	-	-
9	309	Supply Mains	1.66%	2.00%	249,272	-	-	2,565	279,153
10	310	Power Generation Equipment	3.96%	5.00%	134,736	-	-	4,752	187,371
11	311	Electtric Pumping Equipment	3.96%	12.50%	151,098	-	-	62,568	1,655,557
12	320	Water Treatment Equipment	3.99%	3.33%	-	-	-	10,721	268,685
13	320.1	Water Treatment Equipment	3.99%	3.33%	-	-	-	-	-
14	320.2	Chemical Solution Feeders	3.99%	20.00%	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipe	2.00%	2.22%	50,494	-	-	7,567	403,605
16	330.1	Storage Tanks	2.00%	2.22%	-	-	-	-	-
17	330.2	Pressure Tanks	2.00%	5.00%	-	-	-	-	-
18	331	Transmission & Distribution Mains	1.66%	2.00%	134,818	(17,464)	-	318,302	19,233,502
19	333	Services	2.49%	3.33%	47,278	-	-	37,081	1,512,831
20	334	Meters	2.49%	8.33%	42,569	(12,864)	-	13,298	548,896
21	335	Hydrants	1.99%	2.00%	1,875	(1,352)	-	9,144	459,750
22	336	Backflow Prevention Devices	4.01%	6.67%	-	-	-	-	-
23	339	Other Plant and Miscellaneous Equipment	0.00%	6.67%	-	-	-	-	-
24	340	Office Furniture and Fixtures	4.80%	6.67%	-	-	-	1,103	22,986
25	340.1	Computers and Software	4.80%	20.00%	-	-	-	3,336	69,494
26	341	Transportation Equipment	33.33%	20.00%	-	-	-	975	2,925
27	342	Stores Equipment	0.00%	4.00%	-	-	-	-	-
28	343	Tools and Work Equipment	4.00%	5.00%	-	-	-	601	15,035
29	344	Laboratory Equipment	4.00%	10.00%	-	-	-	122	3,061
30	345	Power Operated Equipment	0.00%	5.00%	-	-	-	-	-
31	346	Communication Equipment	5.03%	10.00%	-	-	-	7,135	141,858
32	347	Miscellaneous Equipment	4.89%	10.00%	-	-	-	377	7,701
33	348	Other Tangible Plant	0.00%	10.00%	-	-	-	-	-
34		Rounding			-	-	-	-	-
35		**TOTAL DIRECT WATER PLANT**			$ 1,065,754	$ (31,680)	$ -	$ 499,836	$ 25,823,664
36		Post Test Year Plant (PTYP)			-	-	-	-	-
37		**RUCO Total Water Plant In Service**			$ 1,065,754	$ (31,680)	$ -	$ 499,836	$ 25,823,664
38									
39		**Company Direct Plant As Filed**							
40									
41		**RUCO Direct Plant Adjustment**							
42									
43		Reserve Deficiency Accrual						$ -	
44									
45		Net (Salvage)/Cost of Removal						-	
46		Accumulated Depreciation						8,006,615	$ 8,006,615
47		Accumulated Depreciation - PTYP						-	-
48		RUCO Total Accumulated Depreciation - Calculated						8,006,615	$ 8,006,615
49									
50		Company As Filed - Accumulated Depreciation			-	-	-	-	7,972,250
51		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ 8,006,615	$ 34,365
52									
53		**RUCO Net Adjustment**							
54									
55									
56									
57		References:							
58		Column (A): Approved Depreciation Rate From Decision No.							
59		Columns (B): Approved Depreciation Rate From Decision No. 67279							

			(A) DEPRECIATION RATE	(B)	2004				
LINE NO.	ACCT NO.	DESCRIPTION	1/1/2003 To 9/30/2004	10/1/2004 To 12/31/2008	Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2004
1	301	Organization	0.00%	0.00%	-	-	-	$ -	$ 5,785
2	302	Franchises	0.00%	0.00%	-	-	-	-	417
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	44,194
4	304	Structures and Improvements	1.99%	3.33%	-	-	-	16,014	688,795
5	305	Collecting and Impounding Res.	0.00%	2.50%	-	-	-	-	-
6	306	Lake, River and Other Intakes	0.00%	2.50%	-	-	-	-	-
7	307	Wells and Springs	3.31%	3.33%	128,294	-	-	11,145	400,357
8	308	Infiltration Galleries and Tunnels	0.00%	6.67%	-	-	-	-	-
9	309	Supply Mains	1.66%	2.00%	-	-	-	4,871	279,153
10	310	Power Generation Equipment	3.96%	5.00%	-	-	-	7,907	187,371
11	311	Electric Pumping Equipment	3.96%	12.50%	236,327	-	-	108,108	1,891,884
12	320	Water Treatment Equipment	3.99%	3.33%	65,200	-	-	11,524	333,885
13	320.1	Water Treatment Equipment	3.99%	3.33%	-	-	-	-	-
14	320.2	Chemical Solution Feeders	3.99%	20.00%	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipe	2.00%	2.22%	37,838	-	-	8,683	441,443
16	330.1	Storage Tanks	2.00%	2.22%	-	-	-	-	-
17	330.2	Pressure Tanks	2.00%	5.00%	-	-	-	-	-
18	331	Transmission & Distribution Mains	1.66%	2.00%	431,726	-	-	339,391	19,665,227
19	333	Services	2.49%	3.33%	54,211	-	-	41,578	1,567,042
20	334	Meters	2.49%	8.33%	51,537	(20,725)	-	22,290	579,708
21	335	Hydrants	1.99%	2.00%	15,453	-	-	9,314	475,203
22	336	Backflow Prevention Devices	4.01%	6.67%	-	-	-	-	-
23	339	Other Plant and Miscellaneous Equipment	0.00%	6.67%	-	-	-	-	-
24	340	Office Furniture and Fixtures	4.80%	6.67%	-	-	-	1,211	22,986
25	340.1	Computers and Software	4.80%	20.00%	1,320	-	-	6,033	70,814
26	341	Transportation Equipment	33.33%	20.00%	-	-	-	877	2,925
27	342	Stores Equipment	0.00%	4.00%	-	-	-	-	-
28	343	Tools and Work Equipment	4.00%	5.00%	-	-	-	639	15,035
29	344	Laboratory Equipment	4.00%	10.00%	-	-	-	168	3,061
30	345	Power Operated Equipment	0.00%	5.00%	-	-	-	-	-
31	346	Communication Equipment	5.03%	10.00%	-	-	-	8,898	141,858
32	347	Miscellaneous Equipment	4.89%	10.00%	-	-	-	475	7,701
33	348	Other Tangible Plant	0.00%	10.00%	-	-	-	-	-
34		Rounding			-	-	-	-	-
35		**TOTAL DIRECT WATER PLANT**			$ 1,021,906	$ (20,725)	$ -	$ 599,129	$ 26,824,845
36		Post Test Year Plant (PTYP)			-	-	-	-	-
37		**RUCO Total Water Plant In Service**			$ 1,021,906	$ (20,725)	$ -	$ 599,129	$ 26,824,845
38									
39		**Company Direct Plant As Filed**							
40									
41		**RUCO Direct Plant Adjustment**							
42									
43		Reserve Deficiency Accrual						$ -	
44									
45		Net (Salvage)/Cost of Removal						-	
46		Accumulated Depreciation						8,605,745	$ 8,605,745
47		Accumulated Depreciation - PTYP						-	$ -
48		RUCO Total Accumulated Depreciation - Calculated						8,605,745	$ 8,605,745
49									
50		Company As Filed - Accumulated Depreciation			-	-	-	-	8,549,777
51		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ 8,605,745	$ 55,968
52									
53		**RUCO Net Adjustment**							
54									
55									
56									
57		References:							
58		Column (A): Approved Depreciation Rate From Decision No.							
59		Columns (B): Approved Depreciation Rate From Decision No. 67279							

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/2003 To 9/30/2004	(B) DEPRECIATION RATE 10/1/2004 To 12/31/2008	2005 Additions	2005 Retirements	2005 Adjustments	2005 Depreciation Expense	2005 Balance 12/30/2005
1	301	Organization	0.00%	0.00%	-	-	-	$ -	$ 5,785
2	302	Franchises	0.00%	0.00%	-	-	-	-	417
3	303	Land and Land Rights	0.00%	0.00%	-	-	-	-	44,194
4	304	Structures and Improvements	1.99%	3.33%	-	-	-	22,937	688,795
5	305	Collecting and Impounding Res.	0.00%	2.50%	-	-	-	-	-
6	306	Lake, River and Other Intakes	0.00%	2.50%	-	-	-	-	-
7	307	Wells and Springs	3.31%	3.33%	-	-	-	13,332	400,357
8	308	Infiltration Galleries and Tunnels	0.00%	6.67%	-	-	-	-	-
9	309	Supply Mains	1.66%	2.00%	-	-	-	5,583	279,153
10	310	Power Generation Equipment	3.96%	5.00%	-	-	-	9,369	187,371
11	311	Electtric Pumping Equipment	3.96%	12.50%	507,953	(2,008)	-	268,107	2,397,829
12	320	Water Treatment Equipment	3.99%	3.33%	34,253	(749)	-	11,676	367,389
13	320.1	Water Treatment Equipment	3.99%	3.33%	-	-	-	-	-
14	320.2	Chemical Solution Feeders	3.99%	20.00%	-	-	-	-	-
15	330	Distribution Reservoirs & Standpipe	2.00%	2.22%	318,417	-	-	13,334	759,861
16	330.1	Storage Tanks	2.00%	2.22%	-	-	-	-	-
17	330.2	Pressure Tanks	2.00%	5.00%	-	-	-	-	-
18	331	Transmission & Distribution Mains	1.66%	2.00%	736,273	(44,284)	-	400,224	20,357,216
19	333	Services	2.49%	3.33%	153,500	-	-	54,738	1,720,542
20	334	Meters	2.49%	8.33%	82,087	(12,138)	-	51,203	649,657
21	335	Hydrants	1.99%	2.00%	20,516	(1,645)	-	9,693	494,074
22	336	Backflow Prevention Devices	4.01%	6.67%	-	-	-	-	-
23	339	Other Plant and Miscellaneous Equipment	0.00%	6.67%	-	-	-	-	-
24	340	Office Furniture and Fixtures	4.80%	6.67%	-	-	-	1,533	22,986
25	340.1	Computers and Software	4.80%	20.00%	6,105	-	-	14,773	76,919
26	341	Transportation Equipment	33.33%	20.00%	-	-	-	585	2,925
27	342	Stores Equipment	0.00%	4.00%	-	-	-	-	-
28	343	Tools and Work Equipment	4.00%	5.00%	-	-	-	752	15,035
29	344	Laboratory Equipment	4.00%	10.00%	-	-	-	306	3,061
30	345	Power Operated Equipment	0.00%	5.00%	-	-	-	-	-
31	346	Communication Equipment	5.03%	10.00%	55,958	-	-	16,984	197,816
32	347	Miscellaneous Equipment	4.89%	10.00%	-	-	-	770	7,701
33	348	Other Tangible Plant	0.00%	10.00%	-	-	-	-	-
34		Rounding							-
35		**TOTAL DIRECT WATER PLANT**			$ 1,915,062	$ (60,824)	$ -	$ 895,900	$ 28,679,084
36		Post Test Year Plant (PTYP)			-	-	-	-	-
37		**RUCO Total Water Plant In Service**			$ 1,915,062	$ (60,824)	$ -	$ 895,900	$ 28,679,084
38									
39		**Company Direct Plant As Filed**							
40									
41		**RUCO Direct Plant Adjustment**							
42									
43		Reserve Deficiency Accrual						$ -	
44									
45		Net (Salvage)/Cost of Removal						-	
46		Accumulated Depreciation						9,501,644	$ 9,501,644
47		Accumulated Depreciation - PTYP						-	-
48		RUCO Total Accumulated Depreciation - Calculated						9,501,644	9,501,644
49									
50		Company As Filed - Accumulated Depreciation			-	-	-	-	9,384,268
51		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ 9,501,644	$ 117,376
52									
53		**RUCO Net Adjustment**							
54									
55									
56									
57		References:							
58		Column (A): Approved Depreciation Rate From Decision No.							
59		Columns (B): Approved Depreciation Rate From Decision No. 67279							

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/2003 To 9/30/2004	(B) DEPRECIATION RATE 10/1/2004 To 12/31/2008	2006 Additions	2006 Retirements	2006 Adjustments	2006 Depreciation Expense	2006 Balance 12/30/2006
1	301	Organization	0.00%	0.00%	-	-		$ -	$ 5,785
2	302	Franchises	0.00%	0.00%	-	-		-	417
3	303	Land and Land Rights	0.00%	0.00%	-	-		-	44,194
4	304	Structures and Improvements	1.99%	3.33%	545,966	-		32,027	1,234,761
5	305	Collecting and Impounding Res.	0.00%	2.50%	-	-		-	-
6	306	Lake, River and Other Intakes	0.00%	2.50%	-	-		-	-
7	307	Wells and Springs	3.31%	3.33%	53,611	-	(147)	14,222	453,821
8	308	Infiltration Galleries and Tunnels	0.00%	6.67%	-	-		-	-
9	309	Supply Mains	1.66%	2.00%	-	-		5,583	279,153
10	310	Power Generation Equipment	3.96%	5.00%	-	-		9,369	187,371
11	311	Electtric Pumping Equipment	3.96%	12.50%	95,823	-	-	305,718	2,493,652
12	320	Water Treatment Equipment	3.99%	3.33%	5,581	-		12,327	372,970
13	320.1	Water Treatment Equipment	3.99%	3.33%	-	-		-	-
14	320.2	Chemical Solution Feeders	3.99%	20.00%	-	-		-	-
15	330	Distribution Reservoirs & Standpipe	2.00%	2.22%	-	-		16,869	759,861
16	330.1	Storage Tanks	2.00%	2.22%	-	-		-	-
17	330.2	Pressure Tanks	2.00%	5.00%	-	-		-	-
18	331	Transmission & Distribution Mains	1.66%	2.00%	741,193	-	(1,901)	414,537	21,096,508
19	333	Services	2.49%	3.33%	86,384	-		58,732	1,806,926
20	334	Meters	2.49%	8.33%	60,552	-		56,638	710,209
21	335	Hydrants	1.99%	2.00%	-	-		9,881	494,074
22	336	Backflow Prevention Devices	4.01%	6.67%	-	-		-	-
23	339	Other Plant and Miscellaneous Equipment	0.00%	6.67%	-	-	-	-	-
24	340	Office Furniture and Fixtures	4.80%	6.67%	-	-		1,533	22,986
25	340.1	Computers and Software	4.80%	20.00%	-	-		15,384	76,919
26	341	Transportation Equipment	33.33%	20.00%	-	-		585	2,925
27	342	Stores Equipment	0.00%	4.00%	-	-		-	-
28	343	Tools and Work Equipment	4.00%	5.00%	-	-		752	15,035
29	344	Laboratory Equipment	4.00%	10.00%	-	-		306	3,061
30	345	Power Operated Equipment	0.00%	5.00%	-	-		-	-
31	346	Communication Equipment	5.03%	10.00%	3,547	-		19,959	201,363
32	347	Miscellaneous Equipment	4.89%	10.00%	-	-		770	7,701
33	348	Other Tangible Plant	0.00%	10.00%	-	-		-	-
34		Rounding							-
35		**TOTAL DIRECT WATER PLANT**			$ 1,592,656	$ -	$ (2,048)	$ 975,193	$ 30,269,691
36		Post Test Year Plant (PTYP)			-	-	-	-	-
37		**RUCO Total Water Plant In Service**			$ 1,592,656	$ -	$ (2,048)	$ 975,193	$ 30,269,691
38									
39		**Company Direct Plant As Filed**							
40									
41		**RUCO Direct Plant Adjustment**							
42									
43		Reserve Deficiency Accrual						$ -	
44									
45		Net (Salvage)/Cost of Removal						-	
46		Accumulated Depreciation						10,476,837	$ 10,476,837
47		Accumulated Depreciation - PTYP						-	-
48		RUCO Total Accumulated Depreciation - Calculated						10,476,837	10,476,837
49									
50		Company As Filed - Accumulated Depreciation			-	-	-	-	10,358,875
51		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ 10,476,837	$ 117,962
52									
53		**RUCO Net Adjustment**							
54									
55									
56									
57		References:							
58		Column (A): Approved Depreciation Rate From Decision No.							
59		Columns (B): Approved Depreciation Rate From Decision No. 67279							

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Plant Reconciliation Schedule

			(A) DEPRECIATION RATE	(B) DEPRECIATION RATE	2007				
LINE NO.	ACCT NO.	DESCRIPTION	1/1/2003 To 9/30/2004	10/1/2004 To 12/31/2008	Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2007
1	301	Organization	0.00%	0.00%	-	-		$ -	$ 5,785
2	302	Franchises	0.00%	0.00%	-	-		-	417
3	303	Land and Land Rights	0.00%	0.00%	-	-		-	44,194
4	304	Structures and Improvements	1.99%	3.33%	389,176	-		47,597	1,623,937
5	305	Collecting and Impounding Res.	0.00%	2.50%	-	-		-	-
6	306	Lake, River and Other Intakes	0.00%	2.50%	-	-		-	-
7	307	Wells and Springs	3.31%	3.33%	53,242	-	(1,830)	15,968	505,234
8	308	Infiltration Galleries and Tunnels	0.00%	6.67%	-	-		-	-
9	309	Supply Mains	1.66%	2.00%	-	-		5,583	279,153
10	310	Power Generation Equipment	3.96%	5.00%	5,599	-		9,509	192,970
11	311	Electtric Pumping Equipment	3.96%	12.50%	20,220	-	-	312,970	2,513,872
12	320	Water Treatment Equipment	3.99%	3.33%	-	-		12,420	372,970
13	320.1	Water Treatment Equipment	3.99%	3.33%	-	-		-	-
14	320.2	Chemical Solution Feeders	3.99%	20.00%	-	-		-	-
15	330	Distribution Reservoirs & Standpipe	2.00%	2.22%	-	-		16,869	759,861
16	330.1	Storage Tanks	2.00%	2.22%	-	-		-	-
17	330.2	Pressure Tanks	2.00%	5.00%	-	-		-	-
18	331	Transmission & Distribution Mains	1.66%	2.00%	-	-	(2,010)	421,910	21,094,498
19	333	Services	2.49%	3.33%	100,765	-		61,848	1,907,691
20	334	Meters	2.49%	8.33%	129,225	-		64,543	839,434
21	335	Hydrants	1.99%	2.00%	56,833	-		10,450	550,907
22	336	Backflow Prevention Devices	4.01%	6.67%	3,848	-		128	3,848
23	339	Other Plant and Miscellaneous Equipment	0.00%	6.67%	12,160	-	(3,415)	292	8,745
24	340	Office Furniture and Fixtures	4.80%	6.67%	-	-		1,533	22,986
25	340.1	Computers and Software	4.80%	20.00%	-	-		15,384	76,919
26	341	Transportation Equipment	33.33%	20.00%	-	-		585	2,925
27	342	Stores Equipment	0.00%	4.00%	-	-		-	-
28	343	Tools and Work Equipment	4.00%	5.00%	-	-		752	15,035
29	344	Laboratory Equipment	4.00%	10.00%	-	-		306	3,061
30	345	Power Operated Equipment	0.00%	5.00%	-	-		-	-
31	346	Communication Equipment	5.03%	10.00%	-	-		20,136	201,363
32	347	Miscellaneous Equipment	4.89%	10.00%	-	-		770	7,701
33	348	Other Tangible Plant	0.00%	10.00%	-	-		-	-
34		Rounding							-
35		**TOTAL DIRECT WATER PLANT**			$ 771,069	$ -	$ (7,255)	$ 1,019,553	$ 31,033,505
36		Post Test Year Plant (PTYP)			-	-	-	-	-
37		**RUCO Total Water Plant In Service**			$ 771,069	$ -	$ (7,255)	$ 1,019,553	$ 31,033,505
38									
39		**Company Direct Plant As Filed**							
40									
41		**RUCO Direct Plant Adjustment**							
42									
43		Reserve Deficiency Accrual						$ -	
44									
45		Net (Salvage)/Cost of Removal						-	
46		Accumulated Depreciation						11,496,390	$ 11,496,390
47		Accumulated Depreciation - PTYP						-	-
48		RUCO Total Accumulated Depreciation - Calculated						11,496,390	11,496,390
49									
50		Company As Filed - Accumulated Depreciation			-	-	-	-	11,377,844
51		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ 11,496,390	$ 118,546
52									
53		**RUCO Net Adjustment**							
54									
55									
56									
57		References:							
58		Column (A): Approved Depreciation Rate From Decision No.							
59		Columns (B): Approved Depreciation Rate From Decision No. 67279							

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/2003 To 9/30/2004	(B) DEPRECIATION RATE 10/1/2004 To 12/31/2008	2008 Additions	2008 Retirements	2008 Adjustments	2008 Depreciation Expense	2008 Balance 12/29/2008
1	301	Organization	0.00%	0.00%	-	-		$ -	$ 5,785
2	302	Franchises	0.00%	0.00%	-	-		-	417
3	303	Land and Land Rights	0.00%	0.00%	-	-		-	44,194
4	304	Structures and Improvements	1.99%	3.33%	839,316	-	269,580	72,540	2,732,833
5	305	Collecting and Impounding Res.	0.00%	2.50%	-	-		-	-
6	306	Lake, River and Other Intakes	0.00%	2.50%	-	-		-	-
7	307	Wells and Springs	3.31%	3.33%	3,718	-	54,559	17,795	563,511
8	308	Infiltration Galleries and Tunnels	0.00%	6.67%	-	-		-	-
9	309	Supply Mains	1.66%	2.00%	-	-		5,583	279,153
10	310	Power Generation Equipment	3.96%	5.00%	4,150	-		9,752	197,120
11	311	Electtric Pumping Equipment	3.96%	12.50%	65,771	-	12,328	319,115	2,591,970
12	320	Water Treatment Equipment	3.99%	3.33%	-	-		12,420	372,970
13	320.1	Water Treatment Equipment	3.99%	3.33%	-	-		-	-
14	320.2	Chemical Solution Feeders	3.99%	20.00%	-	-		-	-
15	330	Distribution Reservoirs & Standpipe	2.00%	2.22%	-	-		16,869	759,861
16	330.1	Storage Tanks	2.00%	2.22%	-	-		-	-
17	330.2	Pressure Tanks	2.00%	5.00%	-	-		-	-
18	331	Transmission & Distribution Mains	1.66%	2.00%	980,746	-	13,906	431,836	22,089,150
19	333	Services	2.49%	3.33%	258,637	-	42,945	68,547	2,209,274
20	334	Meters	2.49%	8.33%	117,171	-		74,805	956,605
21	335	Hydrants	1.99%	2.00%	17,671	-		11,195	568,577
22	336	Backflow Prevention Devices	4.01%	6.67%	-	-		257	3,848
23	339	Other Plant and Miscellaneous Equipment	0.00%	6.67%	118,069	-	(4,971)	4,355	121,843
24	340	Office Furniture and Fixtures	4.80%	6.67%	-	-		1,533	22,986
25	340.1	Computers and Software	4.80%	20.00%	-	-		15,384	76,919
26	341	Transportation Equipment	33.33%	20.00%	108,010	-	108,010	22,187	218,945
27	342	Stores Equipment	0.00%	4.00%	-	-		-	-
28	343	Tools and Work Equipment	4.00%	5.00%	-	-		752	15,035
29	344	Laboratory Equipment	4.00%	10.00%	-	-		306	3,061
30	345	Power Operated Equipment	0.00%	5.00%	-	-		-	-
31	346	Communication Equipment	5.03%	10.00%	16,678	-		20,970	218,040
32	347	Miscellaneous Equipment	4.89%	10.00%	-	-		770	7,701
33	348	Other Tangible Plant	0.00%	10.00%	-	-		-	-
34		Rounding							-
35		**TOTAL DIRECT WATER PLANT**			$ 2,529,938	$ -	$ 496,357	$ 1,106,972	$ 34,059,801
36		Post Test Year Plant (PTYP)			-	-	-	-	-
37		**RUCO Total Water Plant In Service**			$ 2,529,938	$ -	$ 496,357	$ 1,106,972	$ 34,059,801
38									
39		**Company Direct Plant As Filed**							34,059,801
40									
41		**RUCO Direct Plant Adjustment**							$ -
42									
43		Reserve Deficiency Accrual						$ -	
44									
45		Net (Salvage)/Cost of Removal						-	
46		Accumulated Depreciation						12,603,362	$ 12,603,362
47		Accumulated Depreciation - PTYP						-	-
48		RUCO Total Accumulated Depreciation - Calculated						12,603,362	12,603,362
49									
50		Company As Filed - Accumulated Depreciation			-	-	-	-	12,472,661
51		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ 12,603,362	$ 130,701
52									
53		**RUCO Net Adjustment**							$ 130,701
54									
55									
56									
57		References:							
58		Column (A): Approved Depreciation Rate From Decision No.							
59		Columns (B): Approved Depreciation Rate From Decision No. 67279							

Rio Rico Utilities, Inc.
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Water Division
Schedule TJC-5

ACCUMULATED DEFERRED INCOME TAXES

Line No.			Amount	Reference
1	**Deferred Income Taxes:**		**Amount**	**Reference**
2				
3	Algonquin Accumulated Deferred Income Tax Assets	$	23,032,000	2008 Algonquin Annual Report
4				
5	Algonquin Accumulated Deferred Income Tax Liabilities		(106,983,000)	2008 Algonquin Annual Report
6				
7	Net Accumulated Deferred Income Tax Assets (Liabilities)	$	(83,951,000)	Line 3 + Line 5
8				
9	Rio Rico Allocation		0.8997%	Note (A)
10				
11	Rio Rico ADIT Liabilities Allocation	$	(755,287)	Line 7 X Line 9
12				
13	Convert to US Dollars		0.9400	Note (B)
14				
15	Allocated ADIT Liabilites Balance	$	(709,970)	Line 11 X Line 13
16				
17	Rio Rico Water Allocation Factor		0.70574	Note (C)
18				
19	Rio Rico Wastewater Allocation Factor		0.29426	Note (C)
20				
21	Rio Rico Water Allocation	$	(501,057)	Line 15 X Line 17
22				
23	Rio Rico Wastewater Allocation	$	(208,912)	Line 15 X Line 19
24				
25				
26				
27				
28	**NOTES:**			
29	(A) Purchase Price of Rio Rico Utilities. Inc.	$	8,800,000	
30	Algonquin Total Assets		978,130,000	
31				
32	Ratio		0.8997%	
33				
34				
35	(B) www.bank-banque-canada.ca on 11/19/2009		0.9400	
36				
37				
38	(C) Rio Rico Water Allocation		0.70574	
39				
40	Rio Rico Wastewater Allocation		0.29426	
41				
42				
43	SUPPORTING SCHEDULES			
44	2008 Algonquin Power Income Fund Annual Report			

Rio Rico Utilities, Inc.
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OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Revenues:					
1	Metered Water Revenues	$ 1,802,584	$ 26,801	$ 1,829,385	$ 936,172	$ 2,765,557
2	Unmetered Water Revenues	-	-	-	-	-
3	Other Water Revenues	44,672	-	44,672	-	44,672
4	Total Revenues	$ 1,847,256	$ 26,801	$ 1,874,057	$ 936,172	$ 2,810,229
	Operating Expenses:					
5	Salaries and Wages	$ -	$ -	$ -	$ -	$ -
6	Purchased Water	-	-	-	-	-
7	Purchased Power	441,501	(38,924)	402,577	-	402,577
8	Fuel for Power Production	-	-	-	-	-
9	Chemicals	9,347	-	9,347	-	9,347
10	Materials & Supplies	23,150	-	23,150	-	23,150
11	Outside Services	805,032	(96,681)	708,351	-	708,351
12	Outside Services - Other	76,859	-	76,859	-	76,859
13	Outside Services - Legal	487	-	487	-	487
14	Water Testing	-	-	-	-	-
15	Rents	26,954	-	26,954	-	26,954
16	Transportation Expenses	79,315	-	79,315	-	79,315
17	Insurance - General Liability	37,699	-	37,699	-	37,699
18	Insurance - Health and Life	-	-	-	-	-
19	Regulatory Commission Expense	17,564	-	17,564	-	17,564
20	Reg. Comm. Exp. - Rate Case	70,000	(17,500)	52,500	-	52,500
21	Miscellaneous Expense	14,822	(1,363)	13,459	-	13,459
22	Bad Debt Expense	371	799	1,170	-	1,170
23	Depreciation Expense	463,297	1,687	464,984	-	464,984
24	Taxes Other Than Income	-	-	-	-	-
25	Property Taxes	130,373	(30,611)	99,762	-	99,762
26	Federal Income Tax	(110,555)	10,430	(100,125)	296,120	195,995
27	State Income Tax	(24,354)	2,298	(22,057)	65,232	43,176
28	**Total Operating Expenses**	$ 2,061,862	$ (169,865)	$ 1,891,997	$ 361,352	$ 2,253,349
29	**Operating Income**	$ (214,606)	$ 196,666	$ (17,940)	$ 574,820	$ 556,881

References:
Column (A): Company Schedule C-1
Column (B): Schedule TJC-7, Columns (B) Thru (K)
Column (C): Column (A) + Column (B)
Column (D): TJC-1, pages 1 and 2
Column (E): Column (C) + Column (D)

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 REVENUE ANNUAL'TN	(C) ADJMT NO. 2 PURCHASED POWER	(D) ADJMT NO. 3 DEPRECIATION EXPENSE	(E) ADJMT NO. 4 PROPERTY TAX	(F) ADJMT NO. 5 RATE CASE EXPENSE	(G) ADJMT NO. 6 MISCELL. EXPENSE	(H) ADJMT NO. 7 PURCH. POWER PER GB 3.8	(I) ADJMT NO. 8 CORPORATE ALLOCATION	(J) ADJMT NO. 9 BAD DEBT EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Revenues:												
1	Metered Water Revenues	$ 1,802,584	$ 26,801	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$1,829,385
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	44,672	-	-	-	-	-	-	-	-	-	-	44,672
4	Total Revenues	$ 1,847,256	$ 26,801	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$1,874,057
	Operating Expenses:												
5	Salaries and Wages	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-
6	Purchased Water	-	-	-	-	-	-	-	-	-	-	-	-
7	Purchased Power	441,501	-	9,081	-	-	-	-	(48,005)	-	-	-	402,577
8	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-	-	-
9	Chemicals	9,347	-	-	-	-	-	-	-	-	-	-	9,347
10	Materials & Supplies	23,150	-	-	-	-	-	-	-	-	-	-	23,150
11	Outside Services	805,032	-	-	-	-	-	-	-	(96,681)	-	-	708,351
12	Outside Services - Other	76,859	-	-	-	-	-	-	-	-	-	-	76,859
13	Outside Services - Legal	487	-	-	-	-	-	-	-	-	-	-	487
14	Water Testing	-	-	-	-	-	-	-	-	-	-	-	-
15	Rents	26,954	-	-	-	-	-	-	-	-	-	-	26,954
16	Transportation Expenses	79,315	-	-	-	-	-	-	-	-	-	-	79,315
17	Insurance - General Liability	37,699	-	-	-	-	-	-	-	-	-	-	37,699
18	Insurance - Health and Life	-	-	-	-	-	-	-	-	-	-	-	-
19	Regulatory Commission Expense	17,564	-	-	-	-	-	-	-	-	-	-	17,564
20	Reg. Comm. Exp. - Rate Case	70,000	-	-	-	-	(17,500)	-	-	-	-	-	52,500
21	Miscellaneous Expense	14,822	-	-	-	-	-	(1,363)	-	-	-	-	13,459
22	Bad Debt Expense	371	-	-	-	-	-	-	-	-	799	-	1,170
23	Depreciation Expense	463,297	-	-	1,687	-	-	-	-	-	-	-	464,984
24	Taxes Other Than Income	-	-	-	-	-	-	-	-	-	-	-	-
25	Property Taxes	130,373	-	-	-	(30,611)	-	-	-	-	-	-	99,762
26	Federal Income Tax	(110,555)	-	-	-	-	-	-	-	-	-	10,430	(100,125)
27	State Income Tax	(24,354)	-	-	-	-	-	-	-	-	-	2,298	(22,057)
28	**Total Operating Expenses**	$ 2,061,862	$ -	$ 9,081	$ 1,687	$ (30,611)	$ (17,500)	$ (1,363)	$ (48,005)	$ (96,681)	$ 799	$ 12,727	$1,891,997
29	**Operating Income**	$ (214,606)	$ 26,801	$ (9,081)	$ (1,687)	$ 30,611	$ 17,500	$ 1,363	$ 48,005	$ 96,681	$ (799)	$ (12,727)	$ (17,940)

ADJUSTMENTS:
1 - Revenue Annualization
2 - Purchased Power Expense Increase and Annualization
3 - Depreciation Expense
4 - Property Tax Expense
5 - Rate Case Expense
6 - Miscellaneous Expense
7 - Purchased Power Expense Per Staff DR GB 3.8
8 - Corporate Allocations
9 - Bad Debt Expense
10 Income Taxes

REFERENCE:
TJC Testimony and Schedule TJC-8 Pages 1 thru 16
TJC Testimony and Schedule TJC-9
TJC Testimony and Schedule TJC-10
TJC Testimony and Schedule TJC-11
TJC Testimony and Schedule TJC-12
TJC Testimony and Schedule TJC-13
TJC Testimony
TJC Testimony and Schedule TJC-14
TJC Testimony and Schedule TJC-15
TJC Testimony and Schedule TJC-16

OPERATING ADJUSTMENT #1 - REVENUE ANNUALIZATION

Line No.		
1	Revenue Annualization	
2		
3		
4	RUCO Revenue Annualization	$ 22,007
5		
6	Company Revenue Annualization	(4,794)
7		
8		
9	RUCO Adjustment to Revenue and/or Expense	$ 26,801
10		
11		
12		
13	SUPPORTING SCHEDULES	
14	Schedule TJC-8, pages 2 thru 16	
15		
16		
17		
18		
19		
20		

Rio Rico Utilities, Inc.
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Residential 5/8" Meter

Water Division
Schedule TJC-8

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR	AVERAGE CUSTOMERS
1	2008 AVERAGE TEST YEAR CUSTOMERS	5,745	5,745	5,745	5,745	5,745	5,745	5,745	5,745	5,745	5,745	5,745	5,745	68,940	
2	2008 ACTUAL CUSTOMERS BY MONTH	5,628	5,753	5,721	5,934	5,786	5,964	5,822	5,769	5,662	5,621	5,647	5,633	68,940	5,745
3	AVERAGE INCREASE IN CUSTOMERS	117	(8)	24	(189)	(41)	(219)	(77)	(24)	83	124	98	112	-	
4	AVERAGE REVENUE FOR THE MONTH	$ 19.72	$ 19.99	$ 17.23	$ 20.18	$ 20.70	$ 25.43	$ 21.77	$ 18.56	$ 20.16	$ 19.77	$ 19.86	$ 15.92		
5	INCREASE IN REVENUES	$ 2,308	$ (160)	$ 413	$ (3,814)	$ (849)	$ (5,570)	$ (1,676)	$ (445)	$ 1,674	$ 2,452	$ 1,946	$ 1,783	$ (1,938)	
6	TOTAL INCREASE IN REVENUE	(1,938)													
7	INCREASE IN REVENUE PER COMPANY	(28,738)													
8	RUCO REVENUE ADJUSTMENT	26,800													
9	GALLONS SOLD PER AVERAGE CUSTOMER	8,420	8,576	6,952	8,687	8,996	11,590	9,622	7,734	8,679	8,449	8,498	6,181		
10	INCREASE IN CUSTOMERS	117	(8)	24	(189)	(41)	(219)	(77)	(24)	83	124	98	112		
11	RUCO INCREASE IN GALLONS	985,124	(68,604)	166,855	(1,641,854)	(368,823)	(2,538,292)	(740,864)	(185,618)	720,350	1,047,658	832,800	692,320	(1,098,948)	
12	COMPANY INCREASE IN GALLONS													(12,565,917)	
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	11,466,968												11,466,968	

Rio Rico Utilities, Inc.
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Test Year Ended December 31, 2008
Residential 3/4" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	8	8	8	8	8	8	8	8	8	8	8	8	96
2	2008 ACTUAL CUSTOMERS BY MONTH	7	7	10	7	8	8	8	8	8	8	8	8	95
3	INCREASE IN NUMBER OF CUSTOMERS	1	1	(2)	1	-	-	-	-	-	-	-	-	1
4	AVERAGE REVENUE FOR THE MONTH	$ 16.45	$ 14.75	$ 14.58	$ 16.45	$ 15.18	$ 16.66	$ 15.60	$ 14.54	$ 16.88	$ 16.03	$ 15.81	$ 15.81	
5	INCREASE IN REVENUES	$ 16	$ 15	$ (29)	$ 16	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 18
6	TOTAL INCREASE IN REVENUE	18												
7	INCREASE IN REVENUE PER COMPANY	$ 18												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	4,000	3,000	2,900	4,000	3,250	4,125	3,500	2,875	4,250	3,750	3,625	3,625	
10	INCREASE IN CUSTOMERS	1	1	(2)	1	-	-	-	-	-	-	-	-	
11	RUCO INCREASE IN GALLONS	4,000	3,000	(5,800)	4,000	-	-	-	-	-	-	-	-	5,200
12	COMPANY INCREASE IN GALLONS													5,200
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Residential 1" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	50	50	50	50	50	50	50	50	50	50	50	50	600
2	2008 ACTUAL CUSTOMERS BY MONTH	34	35	34	35	38	40	33	36	32	32	33	50	432
3	INCREASE IN NUMBER OF CUSTOMERS	16	15	16	15	12	10	17	14	18	18	17	-	168
4	AVERAGE REVENUE FOR THE MONTH	$ 33.70	$ 38.28	$ 33.70	$ 38.28	$ 35.89	$ 45.07	$ 42.50	$ 40.66	$ 37.98	$ 33.41	$ 33.64	$ 26.35	
5	INCREASE IN REVENUES	$ 539	$ 574	$ 539	$ 574	$ 431	$ 451	$ 722	$ 569	$ 684	$ 601	$ 572	$ -	$ 6,257
6	TOTAL INCREASE IN REVENUE	6,257												
7	INCREASE IN REVENUE PER COMPANY	$ 6,257												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	9,765	12,457	9,765	12,457	11,053	16,300	14,939	13,861	12,281	9,594	9,727	5,440	
10	INCREASE IN CUSTOMERS	16	15	16	15	12	10	17	14	18	18	17	-	
11	RUCO INCREASE IN GALLONS	156,235	186,857	156,235	186,857	132,632	163,000	253,970	194,056	221,063	172,688	165,364	-	1,988,955
12	COMPANY INCREASE IN GALLONS													1,988,955
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Residential 1.5" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	8	8	8	8	8	8	8	8	8	8	8	8	96
2	2008 ACTUAL CUSTOMERS BY MONTH	3	3	3	3	3	4	4	3	3	3	3	8	43
3	INCREASE IN NUMBER OF CUSTOMERS	5	5	5	5	5	4	4	5	5	5	5	-	53
4	AVERAGE REVENUE FOR THE MONTH	$ 68.13	$ 69.33	$ 68.13	$ 69.33	$ 73.13	$ 72.03	$ 73.45	$ 66.43	$ 85.80	$ 99.73	$ 81.37	$ 45.11	
5	INCREASE IN REVENUES	$ 341	$ 347	$ 341	$ 347	$ 366	$ 288	$ 294	$ 332	$ 429	$ 499	$ 407	$ -	$ 3,989
6	TOTAL INCREASE IN REVENUE	3,989												
7	INCREASE IN REVENUE PER COMPANY	$ 3,989												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	19,667	20,333	19,667	20,333	22,333	21,750	22,500	18,667	29,000	36,333	26,667	6,125	
10	INCREASE IN CUSTOMERS	5	5	5	5	5	4	4	5	5	5	5	-	
11	RUCO INCREASE IN GALLONS	98,333	101,667	98,333	101,667	111,667	87,000	90,000	93,333	145,000	181,667	133,333	-	1,242,000
12	COMPANY INCREASE IN GALLONS													1,242,000
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Residential 2" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	5	5	5	5	5	5	5	5	5	5	5	5	60
2	2008 ACTUAL CUSTOMERS BY MONTH	3	3	3	3	3	4	6	4	7	3	4	5	48
3	INCREASE IN NUMBER OF CUSTOMERS	2	2	2	2	2	1	(1)	1	(2)	2	1	-	12
4	AVERAGE REVENUE FOR THE MONTH	$ 77.23	$ 98.20	$ 77.23	$ 98.20	$ 88.57	$ 112.23	$ 79.50	$ 86.73	$ 95.53	$ 90.27	$ 78.65	$ 74.74	
5	INCREASE IN REVENUES	$ 154	$ 196	$ 154	$ 196	$ 177	$ 112	$ (80)	$ 87	$ (191)	$ 181	$ 79	$ -	$ 1,066
6	TOTAL INCREASE IN REVENUE	1,066												
7	INCREASE IN REVENUE PER COMPANY	$ 1,066												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	13,667	26,000	13,667	26,000	20,333	34,250	15,000	19,250	24,429	21,333	14,500	12,200	
10	INCREASE IN CUSTOMERS	2	2	2	2	2	1	(1)	1	(2)	2	1	-	
11	RUCO INCREASE IN GALLONS	27,333	52,000	27,333	52,000	40,667	34,250	(15,000)	19,250	(48,857)	42,667	14,500	-	246,143
12	COMPANY INCREASE IN GALLONS													246,143
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	116	116	116	116	116	116	116	116	116	116	116	116	1,392
2	2008 ACTUAL CUSTOMERS BY MONTH	94	98	94	98	93	100	94	98	91	99	88	116	1,163
3	INCREASE IN NUMBER OF CUSTOMERS	22	18	22	18	23	16	22	18	25	17	28	-	229
4	AVERAGE REVENUE FOR THE MONTH	$ 24.49	$ 28.59	$ 24.49	$ 28.59	$ 28.87	$ 32.77	$ 27.75	$ 21.56	$ 24.21	$ 22.72	$ 24.22	$ 18.39	
5	INCREASE IN REVENUES	$ 539	$ 515	$ 539	$ 515	$ 664	$ 524	$ 610	$ 388	$ 605	$ 386	$ 678	$ -	$ 5,963
6	TOTAL INCREASE IN REVENUE	5,963												
7	INCREASE IN REVENUE PER COMPANY	$ 5,963												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	11,096	13,255	11,096	13,255	13,398	15,450	12,809	9,500	10,945	10,162	10,955	7,638	
10	INCREASE IN CUSTOMERS	22	18	22	18	23	16	22	18	25	17	28	-	
11	RUCO INCREASE IN GALLONS	244,106	238,592	244,106	238,592	308,151	247,200	281,787	171,000	273,626	172,747	306,727	-	2,726,635
12	COMPANY INCREASE IN GALLONS													2,726,635
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
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Test Year Ended December 31, 2008
Commercial 1" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	46	46	46	46	46	46	46	46	46	46	46	46	552
2	2008 ACTUAL CUSTOMERS BY MONTH	45	46	43	41	45	46	42	38	41	40	42	46	515
3	INCREASE IN NUMBER OF CUSTOMERS	1	-	3	5	1	-	4	8	5	6	4	-	37
4	AVERAGE REVENUE FOR THE MONTH	$ 40.41	$ 52.31	$ 41.49	$ 56.97	$ 55.44	$ 66.68	$ 56.53	$ 44.75	$ 38.58	$ 42.52	$ 42.56	$ 36.95	
5	INCREASE IN REVENUES	$ 40	$ -	$ 124	$ 285	$ 55	$ -	$ 226	$ 358	$ 193	$ 255	$ 170	$ -	$ 1,708
6	TOTAL INCREASE IN REVENUE	1,708												
7	INCREASE IN REVENUE PER COMPANY	$ 1,708												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	13,711	20,109	14,349	22,561	21,756	27,674	22,333	16,132	12,634	14,950	14,976	11,674	
10	INCREASE IN CUSTOMERS	1	-	3	5	1	-	4	8	5	6	4	-	
11	RUCO INCREASE IN GALLONS	13,711	-	43,047	112,805	21,756	-	89,333	129,053	63,171	89,700	59,905	-	622,480
12	COMPANY INCREASE IN GALLONS													622,480
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
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Commercial 1.5" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	10	10	10	10	10	10	10	10	10	10	10	10	120
2	2008 ACTUAL CUSTOMERS BY MONTH	10	11	10	11	11	15	9	9	9	9	10	10	124
3	INCREASE IN NUMBER OF CUSTOMERS	-	(1)	-	(1)	(1)	(5)	1	1	1	1	-	-	(4)
4	AVERAGE REVENUE FOR THE MONTH	$ 86.56	$ 108.60	$ 86.56	$ 108.60	$ 130.19	$ 106.19	$ 144.70	$ 121.48	$ 130.77	$ 84.32	$ 80.29	$ 87.70	
5	INCREASE IN REVENUES	$ -	$ (109)	$ -	$ (109)	$ (130)	$ (531)	$ 145	$ 121	$ 131	$ 84	$ -	$ -	$ (397)
6	TOTAL INCREASE IN REVENUE	(397)												
7	INCREASE IN REVENUE PER COMPANY	$ (397)												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	29,400	41,000	29,400	41,000	52,364	39,733	60,000	47,778	52,667	28,222	26,100	30,000	
10	INCREASE IN CUSTOMERS	-	(1)	-	(1)	(1)	(5)	1	1	1	1	-	-	
11	RUCO INCREASE IN GALLONS	-	(41,000)	-	(41,000)	(52,364)	(198,667)	60,000	47,778	52,667	28,222	-	-	(144,364)
12	COMPANY INCREASE IN GALLONS													(144,364)
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
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Commercial 2" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	35	35	35	35	35	35	35	35	35	35	35	35	420
2	2008 ACTUAL CUSTOMERS BY MONTH	29	28	30	30	34	35	33	35	33	34	37	35	393
3	INCREASE IN NUMBER OF CUSTOMERS	6	7	5	5	1	-	2	-	2	1	(2)	-	27
4	AVERAGE REVENUE FOR THE MONTH	$ 183.33	$ 267.00	$196.56	$ 281.87	$ 451.94	$ 468.80	$ 228.92	$ 358.11	$ 412.06	$ 430.42	$ 442.11	$ 243.29	
5	INCREASE IN REVENUES	$ 1,100	$ 1,869	$ 983	$ 1,409	$ 452	$ -	$ 458	$ -	$ 824	$ 430	$ (884)	$ -	$ 6,641
6	TOTAL INCREASE IN REVENUE	6,641												
7	INCREASE IN REVENUE PER COMPANY	$ 6,641												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	74,069	118,107	81,033	125,933	215,441	224,314	98,061	166,057	194,455	204,118	210,270	105,629	
10	INCREASE IN CUSTOMERS	6	7	5	5	1	-	2	-	2	1	(2)	-	
11	RUCO INCREASE IN GALLONS	444,414	826,750	405,167	629,667	215,441	-	196,121	-	388,909	204,118	(420,541)	-	2,890,046
12	COMPANY INCREASE IN GALLONS													2,890,046
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	12	12	12	12	12	12	12	12	12	12	12	12	144
2	2008 ACTUAL CUSTOMERS BY MONTH	13	14	14	18	14	15	15	11	10	13	12	12	161
3	INCREASE IN NUMBER OF CUSTOMERS	(1)	(2)	(2)	(6)	(2)	(3)	(3)	1	2	(1)	-	-	(17)
4	AVERAGE REVENUE FOR THE MONTH	$ 614.16	$ 493.68	$ 427.04	$ 582.62	$ 879.79	$ 871.48	$ 436.25	$ 638.95	$ 675.59	$ 260.62	$ 678.25	$ 661.78	
5	INCREASE IN REVENUES	$ (614)	$ (987)	$ (854)	$ (3,496)	$ (1,760)	$ (2,614)	$ (1,309)	$ 639	$ 1,351	$ (261)	$ -	$ -	$ (9,905)
6	TOTAL INCREASE IN REVENUE	(9,905)												
7	INCREASE IN REVENUE PER COMPANY	$ (9,905)												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	273,769	210,357	175,286	257,167	413,571	409,200	180,133	286,818	306,100	87,692	307,500	298,833	
10	INCREASE IN CUSTOMERS	(1)	(2)	(2)	(6)	(2)	(3)	(3)	1	2	(1)	-	-	
11	RUCO INCREASE IN GALLONS	(273,769)	(420,714)	(350,571)	(1,543,000)	(827,143)	(1,227,600)	(540,400)	286,818	612,200	(87,692)	-	-	(4,371,872)
12	COMPANY INCREASE IN GALLONS													(4,371,872)
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	6	6	6	6	6	6	6	6	6	6	6	6	72
2	2008 ACTUAL CUSTOMERS BY MONTH	5	5	5	5	5	5	5	5	6	4	5	6	61
3	INCREASE IN NUMBER OF CUSTOMERS	1	1	1	1	1	1	1	1	-	2	1	-	11
4	AVERAGE REVENUE FOR THE MONTH	$ 586.18	$ 778.84	$ 718.04	$ 719.94	$ 803.16	$ 1,019.00	$ 710.44	$ 759.08	$ 638.37	$ 790.05	$ 628.74	$ 525.63	
5	INCREASE IN REVENUES	$ 586	$ 779	$ 718	$ 720	$ 803	$ 1,019	$ 710	$ 759	$ -	$ 1,580	$ 629	$ -	$ 8,304
6	TOTAL INCREASE IN REVENUE	8,304												
7	INCREASE IN REVENUE PER COMPANY	$ 8,304												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	223,200	324,600	292,600	293,600	337,400	451,000	288,600	314,200	250,667	330,500	245,600	191,333	
10	INCREASE IN CUSTOMERS	1	1	1	1	1	1	1	1	-	2	1	-	
11	RUCO INCREASE IN GALLONS	223,200	324,600	292,600	293,600	337,400	451,000	288,600	314,200	-	661,000	245,600	-	3,431,800
12	COMPANY INCREASE IN GALLONS													3,431,800
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
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Commercial 6" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	1	1	1	1	1	1	1	1	1	1	1	1	12
2	2008 ACTUAL CUSTOMERS BY MONTH	1	1	1	1	1	1	1	1	1	1	1	1	12
3	INCREASE IN NUMBER OF CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	-
4	AVERAGE REVENUE FOR THE MONTH	$ 780.75	$ 915.65	$ 953.65	$ 1,297.55	$ 1,592.05	$ 3,203.25	$ 927.05	$ 1,707.95	$ 1,236.75	$ 2,106.95	$ 2,249.45	$ 1,213.95	
5	INCREASE IN REVENUES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	TOTAL INCREASE IN REVENUE	-												
7	INCREASE IN REVENUE PER COMPANY	$ -												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	255,000	326,000	346,000	527,000	682,000	1,530,000	332,000	743,000	495,000	953,000	1,028,000	483,000	
10	INCREASE IN CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	
11	RUCO INCREASE IN GALLONS	-	-	-	-	-	-	-	-	-	-	-	-	-
12	COMPANY INCREASE IN GALLONS													-
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	9	9	9	9	9	9	9	9	9	9	9	9	108
2	2008 ACTUAL CUSTOMERS BY MONTH	10	9	9	10	10	10	11	10	10	9	10	9	117
3	INCREASE IN NUMBER OF CUSTOMERS	(1)	-	-	(1)	(1)	(1)	(2)	(1)	(1)	-	(1)	-	(9)
4	AVERAGE REVENUE FOR THE MONTH	$ 25.45	$ 25.15	$ 23.89	$ 25.45	$ 24.12	$ 30.77	$ 19.63	$ 22.07	$ 25.45	$ 21.65	$ 19.18	$ 23.68	
5	INCREASE IN REVENUES	$ (25)	$ -	$ -	$ (25)	$ (24)	$ (31)	$ (39)	$ (22)	$ (25)	$ -	$ (19)	$ -	$ (212)
6	TOTAL INCREASE IN REVENUE	(212)												
7	INCREASE IN REVENUE PER COMPANY	$ (212)												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	11,600	11,444	10,778	11,600	10,900	14,400	8,364	9,800	11,600	9,556	8,100	10,667	
10	INCREASE IN CUSTOMERS	(1)	-	-	(1)	(1)	(1)	(2)	(1)	(1)	-	(1)	-	
11	RUCO INCREASE IN GALLONS	(11,600)	-	-	(11,600)	(10,900)	(14,400)	(16,727)	(9,800)	(11,600)	-	(8,100)	-	(94,727)
12	COMPANY INCREASE IN GALLONS													(94,727)
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
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Multi-Family 1.5" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	1	1	1	1	1	1	1	1	1	1	1	1	12
2	2008 ACTUAL CUSTOMERS BY MONTH	1	1	1	1	1	1	1	1	1	1	1	1	12
3	INCREASE IN NUMBER OF CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	-
4	AVERAGE REVENUE FOR THE MONTH	$ 46.60	$ 51.70	$ 53.40	$ 46.60	$ 43.20	$ 38.10	$ 39.80	$ 50.00	$ 46.60	$ 50.00	$ 50.00	$ 51.70	
5	INCREASE IN REVENUES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	TOTAL INCREASE IN REVENUE	-												
7	INCREASE IN REVENUE PER COMPANY	$ -												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	7,000	10,000	11,000	7,000	5,000	2,000	3,000	9,000	7,000	9,000	9,000	10,000	
10	INCREASE IN CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	
11	RUCO INCREASE IN GALLONS	-	-	-	-	-	-	-	-	-	-	-	-	-
12	COMPANY INCREASE IN GALLONS													-
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
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Private Fire

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	22	22	22	22	22	22	22	22	22	22	22	22	264
2	2008 ACTUAL CUSTOMERS BY MONTH	15	15	15	15	15	15	14	14	15	16	14	22	185
3	INCREASE IN NUMBER OF CUSTOMERS	7	7	7	7	7	7	8	8	7	6	8	-	79
4	AVERAGE REVENUE FOR THE MONTH	$ 6.48	$ 6.48	$ 6.48	$ 6.48	$ 6.48	$ 6.48	$ 6.48	$ 6.48	$ 6.48	$ 6.48	$ 6.48	$ 6.48	
5	INCREASE IN REVENUES	$ 45	$ 45	$ 45	$ 45	$ 45	$ 45	$ 52	$ 52	$ 45	$ 39	$ 52	$ -	$ 512
6	TOTAL INCREASE IN REVENUE	512												
7	INCREASE IN REVENUE PER COMPANY	$ 512												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	-	-	-	-	-	-	-	-	-	-	-	-	
10	INCREASE IN CUSTOMERS	7	7	7	7	7	7	8	8	7	6	8	-	
11	RUCO INCREASE IN GALLONS	-	-	-	-	-	-	-	-	-	-	-	-	-
12	COMPANY INCREASE IN GALLONS													-
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
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Water Division
Schedule TJC-9

OPERATING ADJUSTMENT #2
REVENUE & EXPENSE ANNUALIZATION - PURCHASED POWER EXPENSE

DESCRIPTION	TOTAL
Annualize Purchase Power Expense	
Test Year Purchased Power Expense	$ 435,559
Increase in Purchased Power Expense (Company Adjustment 5)	8,276
Total Adjusted Test Year Purchased Power Expense	$ 443,835
Gallons Sold during Test Year (in 1,000's)	754,340
Cost per 1,000 gallons	0.5884
Additional Gallons from Revenue Annualization (in 1,000's)	11,467
Increase (decrease) in Purchased Power	$ 6,747
Company Adjustment to Revenue and/or Expense	$ (2,334)
Adjustment to Revenue and/or Expense	$ 9,081

SUPPORTING SCHEDULES
Company Schedule C-2
Company Adjustment #5 Schedule
Schedule TJC-8, pages 1 thru 16

Rio Rico Utilities, Inc.
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Test Year Ended December 31, 2008

Water Division
Schedule TJC-10

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES		(C) TEST YEAR DEPRECIATION EXPENSE
1	301	Organization	$ 5,785	0.00%		$ -
2	302	Franchises	417	0.00%		-
3	303	Land and Land Rights	44,194	0.00%		-
4	304	Structures and Improvements	2,732,833	3.33%		91,003
5	305	Collecting and Impounding Res.	-	2.50%		-
6	306	Lake, River and Other Intakes	-	2.50%		-
7	307	Wells and Springs	563,511	3.33%		18,765
8	308	Infiltration Galleries and Tunnels	-	6.67%		-
9	309	Supply Mains	279,153	2.00%		5,583
10	310	Power Generation Equipment	197,120	5.00%		9,856
11	311	Electtric Pumping Equipment	2,591,970	12.50%		323,996
12	320	Water Treatment Equipment	372,970	3.33%		12,420
13	320	Water Treatment Equipment	-	3.33%		-
14	320	Chemical Solution Feeders	-	20.00%		-
15	330	Distribution Reservoirs & Standpipe	759,861	2.22%		16,869
16	330	Storage Tanks	-	2.22%		-
17	330	Pressure Tanks	-	5.00%		-
18	331	Transmission & Distribution Mains	22,089,150	2.00%		441,783
19	333	Services	2,209,274	3.33%		73,569
20	334	Meters	956,605	8.33%		79,685
21	335	Hydrants	568,577	2.00%		11,372
22	336	Backflow Prevention Devices	3,848	6.67%		257
23	339	Other Plant and Miscellaneous Equipment	121,843	6.67%		8,127
24	340	Office Furniture and Fixtures	22,986	6.67%		1,533
25	340	Computers and Software	76,919	20.00%	*	-
26	341	Transportation Equipment	218,945	20.00%		43,789
27	342	Stores Equipment	-	4.00%		-
28	343	Tools and Work Equipment	15,035	5.00%		752
29	344	Laboratory Equipment	3,061	10.00%		306
30	345	Power Operated Equipment	-	5.00%		-
31	346	Communication Equipment	218,040	10.00%		21,804
32	347	Miscellaneous Equipment	7,701	10.00%		770
33	348	Other Tangible Plant	-	10.00%		-
34						
35		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 34,059,801			$ 1,162,239
36						
37						
38		AMORTIZATION OF CONTRIBUTIONS	(20,140,197)	3.46%		(697,254)
39						
40		Rounding				(1)
41						
42	**TOTAL DEPRECIATION EXPENSE**					$ 464,984
43						
44	Company As Filed					463,297
45	Difference					$ 1,687
46						
47	RUCO Adjustment					$ 1,687

* Fully Depreciated

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 1,874,057	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	1,874,057	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	2,810,229	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 6,558,343	
5	Average Annual Operating Revenues	Line 4 / 3	2,186,114	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 4,372,229
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 95,024	
8	10% Of CWIP	Line 7 X 10%		$ 9,502
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	RUCO Plant Schedule TJC-4	$ 218,945	
10	Acc. Dep. Of Transportation Equipment	RUCO Plant Schedule TJC-4	(30,748)	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ 188,197
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 4,193,535
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	21.0%	
14	Assessed Value	Line 12 X Line 13	$ 880,642	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	11.3283%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	11.33%	
	Property Tax			$ 99,762
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 99,762
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		130,373
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (30,611)
		Line 20		$ (30,611)

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Water Division
Schedule TJC-12

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5
RATE CASE EXPENSE

LINE NO.	DESCRIPTION		(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total		$ 210,000	$ (52,500)	$ 157,500
2	Allocation Factor				100%
3	Water Division	(Line 1 X Line 2)			$ 157,500
4	Normalization Period - 3 Years				3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)				$ 52,500
6	Company Rate Case Expenses As Filed (Company Sch. C-2)				$ 70,000
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)				$ (17,500)
8	RUCO Adjustment (Line 7)				$ (17,500)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE

DESCRIPTION	(A) AMOUNT
Miscellaneous Expense - Disallowed:	
Family Traditions - Outreach Program	$ 643
Family Traditions - Outreach Program	450
Arizona Highway Patrol - Donation	150
Rio Rico Rotary Tickets	120
RUCO Miscellaneous Adjustment	$ 1,363

SUPPORTING SCHEDULES
RUCO Work Paper - Miscellaneous Expense Adjustment - Water

OPERATING INCOME ADJUSTMENT #8 - CORPORATE ALLOCATIONS

Line No.	Description	Company Total Cost	RUCO Disallowed Costs		RUCO Other Disallowed Costs	RUCO Allowable Costs	RUCO 2008 Allocation Factor	RUCO Allowed Allocated Costs	Allocation % To Rio Rico	RUCO Amount Allocated To Rio Rico
1	Rent	430,739			(430,739)	-	24.29%	-	12.92%	-
2	Audit	507,000			(380,250)	126,750	24.29%	30,782	12.92%	3,976.12
3	Tax Services	265,000			(198,750)	66,250	24.29%	16,089	12.92%	2,078.25
4	Legal - General	300,000			(225,000)	75,000	24.29%	18,214	12.92%	2,352.73
5	Other Professional Services	455,000			(455,000)	-	24.29%	-	12.92%	-
6	Management Fee	636,619			(636,619)	-	24.29%	-	12.92%	-
7	Unit Holder Communications	314,100			(314,100)	-	24.29%	-	12.92%	-
8	Trustee Fees	204,000			(204,000)	-	24.29%	-	12.92%	-
9	Office Costs	254,100	(46,186)	**Note A**	(207,914)	-	24.29%	-	12.92%	-
10	Licenses/Fees and Permits	305,000	(145,642)	**Note B**	(159,358)	-	24.29%	-	12.92%	-
11	Escrow and Transfer Fees	75,000			(75,000)	-	24.29%	-	12.92%	-
12	Depreciation Expense	204,242			(153,182)	51,061	24.29%	12,400	12.92%	1,601.76
	Total	3,950,800	(191,828)		(3,439,912)	319,061		77,486		10,009

RUCO Allocation To Rio Rico Water Division (Based on Total Ratio of Rate Base)	70.5745%
RUCO Allocation To Rio Rico Wastewater Division (Based on Total Ratio of Rate Base)	29.4255%
Company's APT Cost Allocation for Water Division (Per Staff DR GB 3.7 & GB 3.15)	$ 103,745
RUCO's APT Cost Allocation Allowed for Water Division	7,064
RUCO's APT Cost Allocation Adjustment for Water Division	(96,681)
Company's APT Cost Allocation for Wastewater Division (Per Staff DR GB 3.7 & GB 3.15)	$ 34,582
RUCO's APT Cost Allocation Allowed for Wastewater Division	2,945
RUCO's APT Cost Allocation Adjustment for Wastewater Division	(31,637)

Note A:

	Description	
Office Costs	Wind Analysis Software	$ 15,056
Office Costs	Gold Watches & Clocks	16,864
Office Costs	Pilsner Beer Glasses	5,700
Office Costs	Leafs/Raptors Tickets	5,066
Office Costs	Super Bowl Tickets	3,500
Total		$ 46,186

Note B:

Licenses/Fees and Permits	Donation	$ 25,000
Licenses/Fees and Permits	Donation	25,000
Licenses/Fees and Permits	Donation	13,350
Licenses/Fees and Permits	Donation	5,000
Licenses/Fees and Permits	Wind Developm	7,887
Licenses/Fees and Permits	US Trustee	9,375
Licenses/Fees and Permits	Wind Energy	12,556
Licenses/Fees and Permits	APF Inc Taxes	6,891
Licenses/Fees and Permits	APF Inc Taxes	6,794
Licenses/Fees and Permits	APF Inc Taxes	23,789
Licenses/Fees and Permits	KMS Tax Ruling	10,000
Total		$ 145,642

SUPPORTING SCHEDULES
2008 Algonquin Power Income Fund Annual Report
Company's Response to Staff GB 3.2 and 3.10 APT Affiliate Charges - Rio Rico
Company's Response to Staff GB 3.7 and 3.15

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Water Division
Schedule TJC-15

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
BAD DEBT EXPENSE

LINE NO.	DESCRIPTION	(A) AMOUNT
1	Normalize Bad Debt Expense:	
3	2008 Bad Debt Expense	$ 371
4	2007 Bad Debt Expense	-
5	2006 Bad Debt Expense	3,140
7	3 Year Normalization	$ 1,170
9	Company As Filed	371
11	RUCO Adjustment	$ 799

38 SUPPORTING SCHEDULES
39 Company Schedule E-2

OPERATING INCOME ADJUSTMENT #10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ (140,121)
	LESS:		
2	Arizona State Tax	Line 11	(22,057)
3	Interest Expense	Note (A) Line 21	176,421
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ (294,485)
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	34.00%
6	Federal Income Tax Expense	Line 4 X line 5	$ (100,125)
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ (140,121)
	LESS:		
8	Interest Expense	Note (A) Line 21	176,421
9	State Taxable Income	Line 7 - Line 8	$ (316,542)
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ (22,057)
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ (100,125)
13	State Income Tax Expense	Line 11	(22,057)
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ (122,182)
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L28)		(110,555)
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L28)		(24,354)
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ 10,430
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ 2,298

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$ 7,045,555
20	Weighted Cost Of Debt (Sch. TJC-16 Col. (F), L1)	2.50%
		$ 176,421

COST OF CAPITAL

LINE NO.	DESCRIPTION	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	40.00%	6.26%	2.50%
2	Common Equity	60.00%	9.00%	5.40%
3	Total Capitalization	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL			7.90%

References:
Columns (A) Thru (D): Testimony, WAR

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Wastewater Division

TABLE OF CONTENTS TO TJC SCHEDULES

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Wastewater Division
Schedule TJC-1
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REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY OCRB/FVRB COST	(B) RUCO OCRB/FVRB COST
1	Adjusted Original Cost/Fair Value Rate Base	$ 3,516,078	$ 2,937,595
2	Adjusted Operating Income (Loss)	$ 490,676	$ 569,481
3	Current Rate of Return (L2 / L1)	13.96%	19.39%
4	Required Operating Income (L5 X L1)	$ 435,994	$ 232,187
5	Required Rate of Return on Fair Value Rate Base	12.40%	7.90%
6	Operating Income Deficiency (L4 - L2)	$ (54,682)	$ (337,293)
7	Gross Revenue Conversion Factor (TJC-1, Page 2)	1.6286	1.6286
8	Required Increase in Gross Revenue Requirement (L7 X L6)	$ (89,058)	$ (549,328)
9	Adjusted Test Year Revenue	$ 1,829,976	$ 1,850,101
10	Proposed Annual Revenue (L8 + L9)	$ 1,740,918	$ 1,300,773
15	Required Percentage Increase in Revenue (L8 / L9)	-4.87%	-29.69%
16	Rate of Return on Common Equity	12.40%	9.00%

References:
Column (A): Company Schedules A-1 and C-1
Column (B): RUCO Schedule TJC-2, TJC-6, and TJC-17

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
	CALCULATION OF GROSS REVENUE CONVERSION FACTOR:				
1	Revenue	1.0000			
2	Combined Federal And State Tax Rate (L10)	0.3571			
3	Subtotal (L1 - L2)	0.6429			
4	**Revenue Conversion Factor** (L1 / L3)	**1.5553**			
	CALCULATION OF EFFECTIVE TAX RATE:				
5	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
6	Arizona State Income Tax Rate	6.9680%			
7	Federal Taxable Income (L5 - L6)	93.0320%			
8	Applicable Federal Income Tax Rate (Col. (D), L34)	30.8900%			
9	Effective Federal Income Tax Rate (L7 X L8)	28.7376%			
10	Combined Federal And State Income Tax Rate (L6 + L9)	35.7056%			
11	Required Operating Income (Sch. TJC-1, Pg 1, C (B), L4)	$ 232,187			
12	Adj'd T.Y. Oper'g Inc. (Loss) (Sch. TJC-1, Pg 1, C (B), L2)	569,481			
13	Required Increase In Operating Income (L11 - L12)		$ (337,293)		
14	Income Taxes On Recommended Revenue (Col. (D), L31)	$ 79,268			
15	Income Taxes On Test Year Revenue (Col. (D), L32)	275,409			
16	Required Increase In Revenue To Provide For Income Taxes (L14 - L15)		$ (196,141)		
17	Total Required Increase In Revenue (L13 + L16)		$ (533,434)		
	CALCULATION OF INCOME TAX:			RUCO Recommended	
18	Revenue (Sch. TJC-1, Pg 1, Col. (B), L12)			$ 1,300,773	
19	Operating Expense Excluding Income Tax (TJC-7, Col. (E), L27 - L22 - L23)			1,005,211	
20	Synchronized Interest (Col. (C), L37)			73,557	
21	Arizona Taxable Income (L18 - L19 - L20)			$ 222,004	
22	Arizona State Income Tax Rate			6.9680%	
23	Arizona Income Tax (L21 X L22)				$ 15,469
24	Fed. Taxable Income (L21 - L23)			$ 206,535	
25	Fed. Tax on 1st Inc. Bracket ($1 - $50,000) @ 15%			$ 7,500	
26	Fed. Tax on 2nd Inc. Bracket ($50,001 - $75,000) @ 25%			$ 6,250	
27	Fed. Tax on 3rd Inc. Bracket ($75,001 - $100,000) @ 34%			$ 8,500	
28	Fed. Tax on 4th Inc. Bracket ($100,001 - $335,000) @ 39%			$ 41,549	
29	Fed. Tax on 5th Inc. Bracket ($335,001 - $10M) @ 34%			$ -	
30	Total Federal Income Tax (L25 + L26 + L27 + L28 + L29)				$ 63,799
31	Combined Federal and State Income Tax (L23 + L30)				$ 79,268
32	Test Year Combined Income Tax, RUCO as Adjusted (TJC-7, Col. (C), L22 + L23)				$ 275,409
33	RUCO Adjustment (L31 - L32) (See TJC-6, Col. (D), L23)				$ (196,141)
34	Applicable Federal Income Tax Rate (Col. (D), L30 / Col. (C), L24)				30.89%
	CALCULATION OF INTEREST SYNCHRONIZATION:				
35	Rate Base (Sch. TJC-2, Col. (C), L17)			$ 2,937,595	
				2.50%	
				$ 73,557	

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RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) RUCO OCRB/FVRB ADJUSTMENTS	(C) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant in Service	$ 11,829,043	$ -	$ 11,829,043
2	Less: Accumulated Depreciation	(5,110,028)	(45,969)	(5,155,998)
3	Net Utility Plant In Service (Sum L1 & L2)	$ 6,719,014	$ (45,969)	$ 6,673,045
	Less:			
4	Advances in Aid of Construction	861	(238,783)	(237,922)
5	Contribution in Aid of Construction	(5,376,456)	238,783	(5,137,673)
6	Accumulated Amortization of CIAC	1,944,057	-	1,944,057
7	NET CIAC (L5 + L6)	$ (3,432,399)	$ 238,783	$ (3,193,616)
8	Customer Meter Deposits	(95,000)	-	(95,000)
9	Deferred Income Taxes & Credits	323,602	(532,514)	(208,912)
	Plus:			
10	Unamortized Debt Issuance Costs	-	-	-
11	Deferred Regulatory Assets	-	-	-
12	Allowance For Working Capital	-	-	-
13	Rounding	-	-	-
14	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 3,516,078	$ (578,484)	$ 2,937,595

References:
Column (A): Company Schedule B-1
Column (B): Schedule TJC-3
Column (C): Column (A) + Column (B)

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SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED OCRB/FVRB	(B) ADJMT NO. 1 PLANT & ACCUM DEP.	(C) ADJMT NO. 2 DEFERRED INCOME TAXES	(D) ADJMT NO. 3 PER RUCO DR 1.08	(E) ADJMT NO. 4	(F) ADJMT NO. 5	(G) ADJMT NO. 6	(H) RUCO ADJ'TED OCRB/FVRB
1	Gross Utility Plant in Service	$ 11,829,043	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,829,043
2	Less: Accumulated Depreciation	(5,110,028)	(45,969)	-	-	-	-	-	(5,155,998)
3	Net Utility Plant In Service (Sum L1 & L2)	$ 6,719,014	$ (45,969)	$ -	$ -	$ -	$ -	$ -	$ 6,673,045
	Less:								
4	Advances in Aid of Construction	$ 861	$ -	$ -	$ (238,783)	$ -	$ -	$ -	$ (237,922)
5	Contribution in Aid of Construction	(5,376,456)	-	-	238,783	-	-	-	(5,137,673)
6	Accumulated Amortization of CIAC	1,944,057	-	-	-	-	-	-	1,944,057
7	NET CIAC (L5 + L6)	$ (3,432,399)	$ -	$ -	$ 238,783	$ -	$ -	$ -	$ (3,193,616)
8	Customer Meter Deposits	(95,000)	-	-	-	-	-	-	(95,000)
9	Deferred Income Taxes & Credits	323,602	-	(532,514)	-	-	-	-	(208,912)
	Plus:								
10	Unamortized Debt Issuance Costs	-	-	-	-	-	-	-	-
11	Deferred Regulatory Assets	-	-	-	-	-	-	-	-
12	Allowance For Working Capital	-	-	-	-	-	-	-	-
13	Rounding	-	-	-	-	-	-	-	-
14	TOTAL RATE BASE (Sum L's 3, 4, & 7 Thru 16)	$ 3,516,078	$ (45,969)	$ (532,514)	$ -	$ -	$ -	$ -	$ 2,937,595

Column (A): Company Schedule B-2
Column (B): Adjustment No. 1 - Adjust Accumulated Depreciation (See Schedule TJC-4, pages 1 - 7, and TJC Testimony)
Column (C): Adjustment No. 2 - Deferred Income Taxes (See Schedule TJC-5)
Column (D): Adjustment No. 3 - To Adjust AIAC & CIAC Balances Per Company Response to RUCO DR 1.08 and Discussed in TJC Testimony
Column (E): Adjustment No. 4 - Intentionally Left Blank
Column (F): Adjustment No. 5 - Intentionally Left Blank

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Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/2003 To 9/30/2004	(B) DEPRECIATION RATE 10/1/2004 To 12/31/2008	(C) 12/31/2002 Per Decision No. 67279	(D) Accumulated Depreciation Per Dec. 67279	(E) Plant Balance 12/31/2002
1	351	Organization	0.00%	0.00%	$ 5,785	$ -	$ 5,785
2	352	Franchises	0.00%	0.00%	417	-	417
3	353	Land	0.00%	0.00%	7,545	-	7,545
4	354	Structures and Improvements	5.15%	3.33%	28,548	20,590	28,548
5	355	Power Generation		5.00%	-	-	-
6	360	Collection Sewer Forced	2.06%	2.00%	355,144	(99,427)	355,144
7	361	Collection Sewers Gravity	2.03%	2.00%	4,387,284	1,584,087	4,387,284
8	362	Special Collecting Structures	3.31%	2.00%		-	-
9	363	Customer Services	3.04%	2.00%	1,085,957	441,720	1,085,957
10	364	Flow Measuring Devices	5.03%	10.00%	36,057	10,881	36,057
11	365	Flow Measuring Installation	5.03%	10.00%			-
12	366	Reuse Services	5.03%	2.00%	-	-	-
13	367	Reuse Meters And Installation		8.33%	-	-	-
14	370	Receiving Wells	3.96%	3.33%	992,546	48,548	992,546
15	371	Pumping Equipment	5.27%	12.50%	1,593,905	309,912	1,593,905
16	374	Reuse Distribution Reservoirs		2.50%	-	-	-
17	375	Reuse Trans. and Dist. System		2.50%	-	-	-
18	380	Treatment & Disposal Equipment	5.26%	5.00%	972,166	367,586	972,166
19	381	Plant Sewers	2.00%	5.00%	-	-	-
20	382	Outfall Sewer Lines	1.66%	3.33%	-	-	-
21	389	Other Sewer Plant & Equipment	5.30%	6.67%	71,243	38,620	71,243
22	390	Office Furniture & Equipment	2.00%	6.67%	5,514	2,587	5,514
23	390.1	Computers and Software	4.80%	20.00%	4,025	2,790	4,025
24	391	Transportation Equipment	33.33%	20.00%	-	-	-
25	392	Stores Equipment		4.00%	-	-	-
26	393	Tools, Shop And Garage Equip	4.76%	5.00%	4,015	2,771	4,015
27	394	Laboratory Equip	2.56%	10.00%	-	-	-
28	396	Communication Equip	5.03%	10.00%	5,936	4,224	5,936
29	398	Other Tangible Plant	5.13%	4.00%	3,913	1,798	3,913
30	398	Nogales WW Trmnt Capacity		5.00%			-
31	346	Rounding				1	-
32							
33		**TOTAL DIRECT WASTEWATER PLANT**			$ 9,560,000	$ 2,736,688	$ 9,560,000
34		Post Test Year Plant (PTYP)			-	-	-
35		**RUCO Total Wastewater Plant In Service**			$ 9,560,000	$ 2,736,688	$ 9,560,000
36							
37		**Company Direct Plant As Filed**					
38							
39		**RUCO Direct Plant Adjustment**					
40							
41		Reserve Deficiency Accrual					
42							
43		Net (Salvage)/Cost of Removal					
44		Accumulated Depreciation			$ 2,736,688		$ 2,736,688
45		Accumulated Depreciation - PTYP			-	-	-
46		RUCO Total Accumulated Depreciation - Calculated			$ 2,736,688		$ 2,736,688
47							
48		Company As Filed - Accumulated Depreciation			-	-	2,736,688
49		**RUCO Direct Plant Accumulated Depreciation Adjustment**				$ -	$ -
50							
51		**RUCO Net Adjustment**					
52							
53							
54							
55		References:					
56		Column (A): Approved Depreciation Rate From Decision No.					
57		Columns (B): Approved Depreciation Rate From Decision No. 67279					

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/2003 To 9/30/2004	(B) DEPRECIATION RATE 10/1/2004 To 12/31/2008	2003 Additions	2003 Retirements	2003 Adjustments	2003 Depreciation Expense	2003 Balance 12/31/2003
1	351	Organization	0.00%	0.00%	-	-	-	$ -	$ 5,785
2	352	Franchises	0.00%	0.00%	-	-	-	-	417
3	353	Land	0.00%	0.00%	-	-	-	-	7,545
4	354	Structures and Improvements	5.15%	3.33%	-	-	-	1,470	28,548
5	355	Power Generation		5.00%	-	-	-	-	-
6	360	Collection Sewer Forced	2.06%	2.00%	295,950	(13,062)	-	10,230	638,032
7	361	Collection Sewers Gravity	2.03%	2.00%	5,247	(6,745)	-	89,047	4,385,786
8	362	Special Collecting Structures	3.31%	2.00%	-	-	-	-	-
9	363	Customer Services	3.04%	2.00%	7,742	-	-	33,131	1,093,699
10	364	Flow Measuring Devices	5.03%	10.00%	-	-	-	1,814	36,057
11	365	Flow Measuring Installation	5.03%	10.00%	-	-	-	-	-
12	366	Reuse Services	5.03%	2.00%	-	-	-	-	-
13	367	Reuse Meters And Installation		8.33%	-	-	-	-	-
14	370	Receiving Wells	3.96%	3.33%	-	-	-	39,305	992,546
15	371	Pumping Equipment	5.27%	12.50%	-	-	-	83,999	1,593,905
16	374	Reuse Distribution Reservoirs		2.50%	-	-	-	-	-
17	375	Reuse Trans. and Dist. System		2.50%	-	-	-	-	-
18	380	Treatment & Disposal Equipment	5.26%	5.00%	-	-	-	51,136	972,166
19	381	Plant Sewers	2.00%	5.00%	-	-	-	-	-
20	382	Outfall Sewer Lines	1.66%	3.33%	-	-	-	-	-
21	389	Other Sewer Plant & Equipment	5.30%	6.67%	-	-	-	3,776	71,243
22	390	Office Furniture & Equipment	2.00%	6.67%	-	-	-	110	5,514
23	390.1	Computers and Software	4.80%	20.00%	-	-	-	193	4,025
24	391	Transportation Equipment	33.33%	20.00%	-	-	-	-	-
25	392	Stores Equipment		4.00%	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	4.76%	5.00%	-	-	-	191	4,015
27	394	Laboratory Equip	2.56%	10.00%	-	-	-	-	-
28	396	Communication Equip	5.03%	10.00%	-	-	-	299	5,936
29	398	Other Tangible Plant	5.13%	4.00%	-	-	-	201	3,913
30	398	Nogales WW Trmnt Capacity		5.00%	-	-	-	-	-
31	346	Rounding			-	-	-	-	-
32									
33		**TOTAL DIRECT WASTEWATER PLANT**			$ 308,939	$ (19,807)	$ -	$ 314,900	$ 9,849,132
34		Post Test Year Plant (PTYP)			-	-	-	-	-
35		**RUCO Total Wastewater Plant In Service**			$ 308,939	$ (19,807)	$ -	$ 314,900	$ 9,849,132
36									
37		**Company Direct Plant As Filed**							
38									
39		**RUCO Direct Plant Adjustment**							
40									
41		Reserve Deficiency Accrual						$ -	
42									
43		Net (Salvage)/Cost of Removal						-	
44		Accumulated Depreciation						3,051,588	$ 3,051,588
45		Accumulated Depreciation - PTYP						-	-
46		RUCO Total Accumulated Depreciation - Calculated						3,051,588	$ 3,051,588
47									
48		Company As Filed - Accumulated Depreciation			-	-	-	-	3,031,983
49		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ 3,051,588	$ 19,605
50									
51		**RUCO Net Adjustment**							
52									
53									
54									
55		References:							
56		Column (A): Approved Depreciation Rate From Decision No.							
57		Columns (B): Approved Depreciation Rate From Decision No. 67279							

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/2003 To 9/30/2004	(B) DEPRECIATION RATE 10/1/2004 To 12/31/2008	2004 Additions	2004 Retirements	2004 Adjustments	2004 Depreciation Expense	2004 Balance 12/30/2004
1	351	Organization	0.00%	0.00%	-	-	-	$ -	$ 5,785
2	352	Franchises	0.00%	0.00%	-	-	-	-	417
3	353	Land	0.00%	0.00%	-	-	-	-	7,545
4	354	Structures and Improvements	5.15%	3.33%	-	-	-	1,340	28,548
5	355	Power Generation		5.00%	-	-	-	-	-
6	360	Collection Sewer Forced	2.06%	2.00%	(4,971)	-	-	12,997	633,061
7	361	Collection Sewers Gravity	2.03%	2.00%	100,106	-	-	89,715	4,485,892
8	362	Special Collecting Structures	3.31%	2.00%	-	-	-	-	-
9	363	Customer Services	3.04%	2.00%	20,057	-	-	30,684	1,113,756
10	364	Flow Measuring Devices	5.03%	10.00%	-	-	-	2,262	36,057
11	365	Flow Measuring Installation	5.03%	10.00%	-	-	-	-	-
12	366	Reuse Services	5.03%	2.00%	-	-	-	-	-
13	367	Reuse Meters And Installation		8.33%	-	-	-	-	-
14	370	Receiving Wells	3.96%	3.33%	(125,426)	-	-	35,357	867,120
15	371	Pumping Equipment	5.27%	12.50%	(94,296)	-	-	109,472	1,499,609
16	374	Reuse Distribution Reservoirs		2.50%	-	-	-	-	-
17	375	Reuse Trans. and Dist. System		2.50%	-	-	-	-	-
18	380	Treatment & Disposal Equipment	5.26%	5.00%	-	-	-	50,504	972,166
19	381	Plant Sewers	2.00%	5.00%	-	-	-	-	-
20	382	Outfall Sewer Lines	1.66%	3.33%	-	-	-	-	-
21	389	Other Sewer Plant & Equipment	5.30%	6.67%	-	-	-	4,020	71,243
22	390	Office Furniture & Equipment	2.00%	6.67%	-	-	-	175	5,514
23	390.1	Computers and Software	4.80%	20.00%	-	-	-	346	4,025
24	391	Transportation Equipment	33.33%	20.00%	-	-	-	-	-
25	392	Stores Equipment		4.00%	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	4.76%	5.00%	882	-	-	215	4,897
27	394	Laboratory Equip	2.56%	10.00%	-	-	-	-	-
28	396	Communication Equip	5.03%	10.00%	-	-	-	372	5,936
29	398	Other Tangible Plant	5.13%	4.00%	-	-	-	190	3,913
30	398	Nogales WW Trmnt Capacity		5.00%	-	-	-	-	-
31	346	Rounding			-	-	-	-	-
32									
33		**TOTAL DIRECT WASTEWATER PLANT**			$ (103,647)	$ -	$ -	$ 337,648	$ 9,745,484
34		Post Test Year Plant (PTYP)			-	-	-	-	-
35		**RUCO Total Wastewater Plant In Service**			$ (103,647)	$ -	$ -	$ 337,648	$ 9,745,484
36									
37		**Company Direct Plant As Filed**							
38									
39		**RUCO Direct Plant Adjustment**							
40									
41		Reserve Deficiency Accrual						$ -	
42									
43		Net (Salvage)/Cost of Removal						-	
44		Accumulated Depreciation						3,389,236	$ 3,389,236
45		Accumulated Depreciation - PTYP						-	$ -
46		RUCO Total Accumulated Depreciation - Calculated						3,389,236	$ 3,389,236
47									
48		Company As Filed - Accumulated Depreciation			-	-	-	-	3,369,631
49		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ 3,389,236	$ 19,605
50									
51		**RUCO Net Adjustment**							
52									
53									
54									
55		References:							
56		Column (A): Approved Depreciation Rate From Decision No.							
57		Columns (B): Approved Depreciation Rate From Decision No. 67279							

			(A) DEPRECIATION RATE	(B) DEPRECIATION RATE	2005				
LINE NO.	ACCT NO.	DESCRIPTION	1/1/2003 To 9/30/2004	10/1/2004 To 12/31/2008	Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/30/2005
1	351	Organization	0.00%	0.00%	-	-	-	$ -	$ 5,785
2	352	Franchises	0.00%	0.00%	-	-	-	-	417
3	353	Land	0.00%	0.00%	-	-	-	-	7,545
4	354	Structures and Improvements	5.15%	3.33%	-	-	-	951	28,548
5	355	Power Generation		5.00%	-	-	-	-	-
6	360	Collection Sewer Forced	2.06%	2.00%	-	-	-	12,661	633,061
7	361	Collection Sewers Gravity	2.03%	2.00%	1,331,572	-	-	103,034	5,817,464
8	362	Special Collecting Structures	3.31%	2.00%	-	-	-	-	-
9	363	Customer Services	3.04%	2.00%	2,293	-	-	22,298	1,116,049
10	364	Flow Measuring Devices	5.03%	10.00%	-	-	-	3,606	36,057
11	365	Flow Measuring Installation	5.03%	10.00%	-	-	-	-	-
12	366	Reuse Services	5.03%	2.00%	-	-	-	-	-
13	367	Reuse Meters And Installation		8.33%	-	-	-	-	-
14	370	Receiving Wells	3.96%	3.33%	-	-	-	28,875	867,120
15	371	Pumping Equipment	5.27%	12.50%	27,078	(22,506)	-	187,737	1,504,181
16	374	Reuse Distribution Reservoirs		2.50%	-	-	-	-	-
17	375	Reuse Trans. and Dist. System		2.50%	-	-	-	-	-
18	380	Treatment & Disposal Equipment	5.26%	5.00%	-	-	-	48,608	972,166
19	381	Plant Sewers	2.00%	5.00%	-	-	-	-	-
20	382	Outfall Sewer Lines	1.66%	3.33%	-	-	-	-	-
21	389	Other Sewer Plant & Equipment	5.30%	6.67%	-	-	-	4,752	71,243
22	390	Office Furniture & Equipment	2.00%	6.67%	-	-	-	368	5,514
23	390.1	Computers and Software	4.80%	20.00%	-	-	-	805	4,025
24	391	Transportation Equipment	33.33%	20.00%	-	-	-	-	-
25	392	Stores Equipment		4.00%	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	4.76%	5.00%	-	-	-	245	4,897
27	394	Laboratory Equip	2.56%	10.00%	-	-	-	-	-
28	396	Communication Equip	5.03%	10.00%	-	-	-	594	5,936
29	398	Other Tangible Plant	5.13%	4.00%	-	-	-	157	3,913
30	398	Nogales WW Trmnt Capacity		5.00%	-	-	-	-	-
31	346	Rounding			-	-	-	-	-
32									
33		**TOTAL DIRECT WASTEWATER PLANT**			$ 1,360,942	$ (22,506)	$ -	$ 414,689	$ 11,083,921
34		Post Test Year Plant (PTYP)			-	-	-	-	-
35		**RUCO Total Wastewater Plant In Service**			$ 1,360,942	$ (22,506)	$ -	$ 414,689	$ 11,083,921
36									
37		**Company Direct Plant As Filed**							
38									
39		**RUCO Direct Plant Adjustment**							
40									
41		Reserve Deficiency Accrual						$ -	
42									
43		Net (Salvage)/Cost of Removal						-	
44		Accumulated Depreciation						3,803,925	$ 3,803,925
45		Accumulated Depreciation - PTYP						-	-
46		RUCO Total Accumulated Depreciation - Calculated						3,803,925	3,803,925
47									
48		Company As Filed - Accumulated Depreciation			-	-	-	-	3,761,705
49		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ 3,803,925	$ 42,220
50									
51		**RUCO Net Adjustment**							
52									
53									
54									
55		References:							
56		Column (A): Approved Depreciation Rate From Decision No.							
57		Columns (B): Approved Depreciation Rate From Decision No. 67279							

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/2003 To 9/30/2004	(B) DEPRECIATION RATE 10/1/2004 To 12/31/2008	2006 Additions	2006 Retirements	2006 Adjustments	2006 Depreciation Expense	2006 Balance 12/30/2006
1	351	Organization	0.00%	0.00%	-	-	-	$ -	$ 5,785
2	352	Franchises	0.00%	0.00%	-	-	-	-	417
3	353	Land	0.00%	0.00%	-	-	-	-	7,545
4	354	Structures and Improvements	5.15%	3.33%	-	-	-	951	28,548
5	355	Power Generation		5.00%	-	-	-	-	-
6	360	Collection Sewer Forced	2.06%	2.00%	1,147	-	-	12,673	634,208
7	361	Collection Sewers Gravity	2.03%	2.00%	100,371	-	-	117,353	5,917,835
8	362	Special Collecting Structures	3.31%	2.00%	-	-	-	-	-
9	363	Customer Services	3.04%	2.00%	12,716	-	-	22,448	1,128,765
10	364	Flow Measuring Devices	5.03%	10.00%	-	-	-	3,606	36,057
11	365	Flow Measuring Installation	5.03%	10.00%	-	-	-	-	-
12	366	Reuse Services	5.03%	2.00%	-	-	-	-	-
13	367	Reuse Meters And Installation		8.33%	-	-	-	-	-
14	370	Receiving Wells	3.96%	3.33%	-	-	-	28,875	867,120
15	371	Pumping Equipment	5.27%	12.50%	-	-	-	188,023	1,504,181
16	374	Reuse Distribution Reservoirs		2.50%	-	-	-	-	-
17	375	Reuse Trans. and Dist. System		2.50%	-	-	-	-	-
18	380	Treatment & Disposal Equipment	5.26%	5.00%	-	-	-	48,608	972,166
19	381	Plant Sewers	2.00%	5.00%	-	-	-	-	-
20	382	Outfall Sewer Lines	1.66%	3.33%	-	-	-	-	-
21	389	Other Sewer Plant & Equipment	5.30%	6.67%	-	-	-	4,752	71,243
22	390	Office Furniture & Equipment	2.00%	6.67%	864	-	-	397	6,378
23	390.1	Computers and Software	4.80%	20.00%	-	-	-	805	4,025
24	391	Transportation Equipment	33.33%	20.00%	-	-	-	-	-
25	392	Stores Equipment		4.00%	-	-	-	-	-
26	393	Tools, Shop And Garage Equip	4.76%	5.00%	-	-	-	245	4,897
27	394	Laboratory Equip	2.56%	10.00%	-	-	-	-	-
28	396	Communication Equip	5.03%	10.00%	-	-	-	594	5,936
29	398	Other Tangible Plant	5.13%	4.00%	-	-	-	157	3,913
30	398	Nogales WW Trmnt Capacity		5.00%	427,000	-	-	10,675	427,000
31	346	Rounding			-	-		-	-
32									
33		**TOTAL DIRECT WASTEWATER PLANT**			$ 542,099	$ -	$ -	$ 440,160	$ 11,626,019
34		Post Test Year Plant (PTYP)			-	-	-	-	-
35		**RUCO Total Wastewater Plant In Service**			$ 542,099	$ -	$ -	$ 440,160	$ 11,626,019
36									
37		**Company Direct Plant As Filed**							
38									
39		**RUCO Direct Plant Adjustment**							
40									
41		Reserve Deficiency Accrual						$ -	
42									
43		Net (Salvage)/Cost of Removal						-	
44		Accumulated Depreciation						4,244,085	$ 4,244,085
45		Accumulated Depreciation - PTYP						-	-
46		RUCO Total Accumulated Depreciation - Calculated						4,244,085	4,244,085
47									
48		Company As Filed - Accumulated Depreciation			-	-	-	-	4,200,913
49		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ 4,244,085	$ 43,172
50									
51		**RUCO Net Adjustment**							
52									
53									
54									
55		References:							
56		Column (A): Approved Depreciation Rate From Decision No.							
57		Columns (B): Approved Depreciation Rate From Decision No. 67279							

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Plant Reconciliation Schedule

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/2003 To 9/30/2004	(B) DEPRECIATION RATE 10/1/2004 To 12/31/2008	2007 Additions	2007 Retirements	2007 Adjustments	2007 Depreciation Expense	2007 Balance 12/30/2007
1	351	Organization	0.00%	0.00%	-	-		$ -	$ 5,785
2	352	Franchises	0.00%	0.00%	-	-		-	417
3	353	Land	0.00%	0.00%	-	-		-	7,545
4	354	Structures and Improvements	5.15%	3.33%	-	-		951	28,548
5	355	Power Generation		5.00%		-		-	-
6	360	Collection Sewer Forced	2.06%	2.00%	1,815	-		12,702	636,023
7	361	Collection Sewers Gravity	2.03%	2.00%	-	-		118,357	5,917,835
8	362	Special Collecting Structures	3.31%	2.00%	-	-		-	-
9	363	Customer Services	3.04%	2.00%	12,881	-	(16)	22,704	1,141,630
10	364	Flow Measuring Devices	5.03%	10.00%	6,667	-		3,939	42,725
11	365	Flow Measuring Installation	5.03%	10.00%	-	-		-	-
12	366	Reuse Services	5.03%	2.00%	-	-		-	-
13	367	Reuse Meters And Installation		8.33%	-	-		-	-
14	370	Receiving Wells	3.96%	3.33%	-	-		28,875	867,120
15	371	Pumping Equipment	5.27%	12.50%	-	-		188,023	1,504,181
16	374	Reuse Distribution Reservoirs		2.50%	-	-		-	-
17	375	Reuse Trans. and Dist. System		2.50%	-	-		-	-
18	380	Treatment & Disposal Equipment	5.26%	5.00%	25,125	-		49,236	997,291
19	381	Plant Sewers	2.00%	5.00%	-	-		-	-
20	382	Outfall Sewer Lines	1.66%	3.33%	-	-		-	-
21	389	Other Sewer Plant & Equipment	5.30%	6.67%	-	-	(1,509)	4,702	69,734
22	390	Office Furniture & Equipment	2.00%	6.67%	938	-		457	7,315
23	390.1	Computers and Software	4.80%	20.00%	-	-		805	4,025
24	391	Transportation Equipment	33.33%	20.00%	-	-		-	-
25	392	Stores Equipment		4.00%	-	-		-	-
26	393	Tools, Shop And Garage Equip	4.76%	5.00%	-	-		245	4,897
27	394	Laboratory Equip	2.56%	10.00%	-	-		-	-
28	396	Communication Equip	5.03%	10.00%	-	-		594	5,936
29	398	Other Tangible Plant	5.13%	4.00%	-	-		157	3,913
30	398	Nogales WW Trmnt Capacity		5.00%	-	-		21,350	427,000
31	346	Rounding			-	-		-	-
32									
33		**TOTAL DIRECT WASTEWATER PLANT**			$ 47,426	$ -	$ (1,525)	$ 453,095	$ 11,671,920
34		Post Test Year Plant (PTYP)			-	-	-	-	-
35		**RUCO Total Wastewater Plant In Service**			$ 47,426	$ -	$ (1,525)	$ 453,095	$ 11,671,920
36									
37		**Company Direct Plant As Filed**							
38									
39		**RUCO Direct Plant Adjustment**							
40									
41		Reserve Deficiency Accrual						$ -	
42									
43		Net (Salvage)/Cost of Removal						-	
44		Accumulated Depreciation						4,697,180	$ 4,697,180
45		Accumulated Depreciation - PTYP						-	-
46		RUCO Total Accumulated Depreciation - Calculated						4,697,180	4,697,180
47									
48		Company As Filed - Accumulated Depreciation			-	-	-	-	4,652,610
49		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ 4,697,180	$ 44,570
50									
51		**RUCO Net Adjustment**							
52									
53									
54									

55 References:
56 Column (A): Approved Depreciation Rate From Decision No.
57 Columns (B): Approved Depreciation Rate From Decision No. 67279

LINE NO.	ACCT NO.	DESCRIPTION	(A) DEPRECIATION RATE 1/1/2003 To 9/30/2004	(B) 10/1/2004 To 12/31/2008	2008 Additions	Retirements	Adjustments	Depreciation Expense	Balance 12/29/2008
1	351	Organization	0.00%	0.00%	-	-		$ -	$ 5,785
2	352	Franchises	0.00%	0.00%	-	-		-	417
3	353	Land	0.00%	0.00%	-	-		-	7,545
4	354	Structures and Improvements	5.15%	3.33%	-	-		951	28,548
5	355	Power Generation		5.00%	-	-		-	-
6	360	Collection Sewer Forced	2.06%	2.00%	-	-		12,720	636,023
7	361	Collection Sewers Gravity	2.03%	2.00%	27,713	-	415	118,638	5,945,962
8	362	Special Collecting Structures	3.31%	2.00%	-	-		-	-
9	363	Customer Services	3.04%	2.00%	3,900	-		22,872	1,145,530
10	364	Flow Measuring Devices	5.03%	10.00%	3,447	-	9,818	4,936	55,989
11	365	Flow Measuring Installation	5.03%	10.00%	-	-		-	-
12	366	Reuse Services	5.03%	2.00%	-	-		-	-
13	367	Reuse Meters And Installation		8.33%	-	-		-	-
14	370	Receiving Wells	3.96%	3.33%	-	-		28,875	867,120
15	371	Pumping Equipment	5.27%	12.50%	-	-		188,023	1,504,181
16	374	Reuse Distribution Reservoirs		2.50%	-	-		-	-
17	375	Reuse Trans. and Dist. System		2.50%	-	-		-	-
18	380	Treatment & Disposal Equipment	5.26%	5.00%	9,557	-		50,103	1,006,848
19	381	Plant Sewers	2.00%	5.00%	-	-		-	-
20	382	Outfall Sewer Lines	1.66%	3.33%	-	-		-	-
21	389	Other Sewer Plant & Equipment	5.30%	6.67%	150	-	(1,015)	4,622	68,869
22	390	Office Furniture & Equipment	2.00%	6.67%	103,139	-		3,928	110,454
23	390.1	Computers and Software	4.80%	20.00%	-	-		805	4,025
24	391	Transportation Equipment	33.33%	20.00%	-	-		-	-
25	392	Stores Equipment		4.00%	-	-		-	-
26	393	Tools, Shop And Garage Equip	4.76%	5.00%	-	-		245	4,897
27	394	Laboratory Equip	2.56%	10.00%	-	-		-	-
28	396	Communication Equip	5.03%	10.00%	-	-		594	5,936
29	398	Other Tangible Plant	5.13%	4.00%	-	-		157	3,913
30	398	Nogales WW Trmnt Capacity		5.00%	-	-		21,350	427,000
31	346	Rounding			-	-		-	-
32									
33		**TOTAL DIRECT WASTEWATER PLANT**			$ 147,905	$ -	$ 9,217	$ 458,818	$ 11,829,042
34		Post Test Year Plant (PTYP)			-	-	-	-	-
35		**RUCO Total Wastewater Plant In Service**			$ 147,905	$ -	$ 9,217	$ 458,818	$ 11,829,042
36									
37		**Company Direct Plant As Filed**							11,829,043
38									
39		**RUCO Direct Plant Adjustment**							$ (1)
40									
41		Reserve Deficiency Accrual						$ -	
42									
43		Net (Salvage)/Cost of Removal						-	
44		Accumulated Depreciation						5,155,997	$ 5,155,997
45		Accumulated Depreciation - PTYP						-	-
46		RUCO Total Accumulated Depreciation - Calculated						5,155,997	5,155,997
47									
48		Company As Filed - Accumulated Depreciation			-	-	-	-	5,110,028
49		**RUCO Direct Plant Accumulated Depreciation Adjustment**			$ -	$ -	$ -	$ 5,155,997	$ 45,969
50									
51		**RUCO Net Adjustment**							$ 45,968
52									
53									
54									

55 References:
56 Column (A): Approved Depreciation Rate From Decision No.
57 Columns (B): Approved Depreciation Rate From Decision No. 67279

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008

Wastewater Division
Schedule TJC-5

Line No.				Amount	Reference
1	**Deferred Income Taxes:**			**Amount**	**Reference**
2					
3	Algonquin Accumulated Deferred Income Tax Assets		$	23,032,000	2008 Algonquin Annual Report
4					
5	Algonquin Accumulated Deferred Income Tax Liabilities			(106,983,000)	2008 Algonquin Annual Report
6					
7	Net Accumulated Deferred Income Tax Assets (Liabilities)		$	(83,951,000)	Line 3 + Line 5
8					
9	Rio Rico Allocation			0.8997%	Note (A)
10					
11	Rio Rico ADIT Liabilities Allocation		$	(755,287)	Line 7 X Line 9
12					
13	Convert to US Dollars			0.9400	Note (B)
14					
15	Allocated ADIT Liabilites Balance		$	(709,970)	Line 11 X Line 13
16					
17	Rio Rico Water Allocation Factor			0.70574	Note (C)
18					
19	Rio Rico Wastewater Allocation Factor			0.29426	Note (C)
20					
21	Rio Rico Water Allocation		$	(501,057)	Line 15 X Line 17
22					
23	Rio Rico Wastewater Allocation		$	(208,912)	Line 15 X Line 19
24					
25					
26					
27					
28	**NOTES:**				
29	(A) Purchase Price of Rio Rico Utilities. Inc.		$	8,800,000	
30	Algonquin Total Assets			978,130,000	
31					
32	Ratio			0.8997%	
33					
34					
35	(B) www.bank-banque-canada.ca on 11/19/2009			0.9400	
36					
37					
38	(C) Rio Rico Water Allocation			0.70574	
39					
40	Rio Rico Wastewater Allocation			0.29426	
41					
42					
43	SUPPORTING SCHEDULES				
44	2008 Algonquin Power Income Fund Annual Report				

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008

Wastewater Division
Schedule TJC-6

OPERATING INCOME

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) RUCO TEST YEAR ADJM'TS	(C) RUCO TEST YEAR AS ADJ'TED	(D) RUCO PROP'D CHANGES	(E) RUCO AS RECOMM'D
	Revenues:					
1	Metered Water Revenues	$ 1,829,726	$ 20,125	$ 1,849,851	$ (549,328)	$ 1,300,523
2	Unmetered Water Revenues	-	-	-	-	-
3	Other Water Revenues	250	-	250	-	250
4	Total Revenues	$ 1,829,976	$ 20,125	$ 1,850,101	$ (549,328)	$ 1,300,773
	Operating Expenses:					
5	Salaries and Wages	$ -	$ -	$ -	$ -	$ -
6	Purchased Water and WW Treatment	-	-	-	-	-
7	Purchased Power	17,426	49,699	67,125	-	67,125
8	Fuel for Power Production	-	-	-	-	-
9	Chemicals	9,644	-	9,644	-	9,644
10	Materials & Supplies	14,304	-	14,304	-	14,304
11	Contractual Services	298,008	(31,637)	266,371	-	266,371
12	Outside Services - Other	175,196	-	175,196	-	175,196
13	Outside Services - Legal	367	-	367	-	367
14	Equipment Rental	25,781	-	25,781	-	25,781
15	Rents - Building	-	-	-	-	-
16	Transportation Expenses	26,817	-	26,817	-	26,817
17	Insurance - General Liability	12,021	-	12,021	-	12,021
18	Insurance - Vehicle	-	-	-	-	-
19	Regulatory Commission Expense	994	-	994	-	994
20	Reg. Comm. Exp. - Rate Case	41,667	(10,417)	31,250	-	31,250
21	Miscellaneous Expense	155	-	155	-	155
22	Bad Debt Expense	64,087	(30,315)	33,772	-	33,772
23	Depreciation and Amortization	252,672	9,361	262,033	-	262,033
24	Taxes Other Than Income	-	-	-	-	-
25	Property Taxes	91,705	(12,324)	79,381	-	79,381
26	Federal Income Tax	252,773	(31,110)	221,662	(157,863)	63,799
27	State Income Tax	55,684	(1,937)	53,746	(38,277)	15,469
28	**Total Operating Expenses**	$ 1,339,300	$ (58,680)	$ 1,280,620	$ (196,141)	$ 1,084,479
29	**Operating Income**	$ 490,676	$ 78,805	$ 569,481	$ (353,187)	$ 216,294

References:
Column (A): Company Schedule C-1
Column (B): Schedule TJC-7, Columns (B) Thru (K)
Column (C): Column (A) + Column (B)
Column (D): TJC-1, pages 1 and 2
Column (E): Column (C) + Column (D)

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008

SUMMARY OF OPERATING INCOME ADJUSTMENTS
TEST YEAR AS FILED AND ADJUSTMENTS

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJMT NO. 1 REVENUE ANNUAL'TN	(C) ADJMT NO. 2 PURCHASED POWER	(D) ADJMT NO. 3 DEPRECIATION EXPENSE	(E) ADJMT NO. 4 PROPERTY TAX	(F) ADJMT NO. 5 RATE CASE EXPENSE	(G) ADJMT NO. 6 MISCELL. EXPENSE	(H) ADJMT NO. 7 PURCH. POWER PER GB 3.8	(I) ADJMT NO. 8 CORPORATE ALLOCATION	(J) ADJMT NO. 9 BAD DEBT EXPENSE	(K) ADJMT NO. 10 INCOME TAXES	(L) RUCO AS ADJT'D
	Revenues:												
1	Metered Water Revenues	$ 1,829,726	$ 20,125	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,849,851
2	Unmetered Water Revenues	-	-	-	-	-	-	-	-	-	-	-	-
3	Other Water Revenues	250	-	-	-	-	-	-	-	-	-	-	250
4	Total Revenues	$ 1,829,976	$ 20,125	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,850,101
	Operating Expenses:												
5	Salaries and Wages	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-
6	Purchased Water and WW Treatment	-	-	-	-	-	-	-	-	-	-	-	-
7	Purchased Power	17,426	-	1,694	-	-	-	-	48,005	-	-	-	67,125
8	Fuel for Power Production	-	-	-	-	-	-	-	-	-	-	-	-
9	Chemicals	9,644	-	-	-	-	-	-	-	-	-	-	9,644
10	Materials & Supplies	14,304	-	-	-	-	-	-	-	-	-	-	14,304
11	Contractual Services	298,008	-	-	-	-	-	-	-	(31,637)	-	-	266,371
12	Outside Services - Other	175,196	-	-	-	-	-	-	-	-	-	-	175,196
13	Outside Services - Legal	367	-	-	-	-	-	-	-	-	-	-	367
14	Equipment Rental	25,781	-	-	-	-	-	-	-	-	-	-	25,781
15	Rents - Building	-	-	-	-	-	-	-	-	-	-	-	-
16	Transportation Expenses	26,817	-	-	-	-	-	-	-	-	-	-	26,817
17	Insurance - General Liability	12,021	-	-	-	-	-	-	-	-	-	-	12,021
18	Insurance - Vehicle	-	-	-	-	-	-	-	-	-	-	-	-
19	Regulatory Commission Expense	994	-	-	-	-	-	-	-	-	-	-	994
20	Reg. Comm. Exp. - Rate Case	41,667	-	-	-	-	(10,417)	-	-	-	-	-	31,250
21	Miscellaneous Expense	155	-	-	-	-	-	-	-	-	-	-	155
22	Bad Debt Expense	64,087	-	-	-	-	-	-	-	-	(30,315)	-	33,772
23	Depreciation and Amortization	252,672	-	-	9,361	-	-	-	-	-	-	-	262,033
24	Taxes Other Than Income	-	-	-	-	-	-	-	-	-	-	-	-
25	Property Taxes	91,705	-	-	-	(12,324)	-	-	-	-	-	-	79,381
26	Federal Income Tax	252,773	-	-	-	-	-	-	-	-	-	(31,110)	221,662
27	State Income Tax	55,684	-	-	-	-	-	-	-	-	-	(1,937)	53,746
28	**Total Operating Expenses**	$ 1,339,300	$ -	$ 1,694	$ 9,361	$ (12,324)	$ (10,417)	$ -	$ 48,005	$ (31,637)	$ (30,315)	$ (33,047)	$ 1,280,620
29	**Operating Income**	$ 490,676	$ 20,125	$ (1,694)	$ (9,361)	$ 12,324	$ 10,417	$ -	$ (48,005)	$ 31,637	$ 30,315	$ 33,047	$ 569,481

ADJUSTMENTS:	REFERENCE:
1 - Revenue Annualization	TJC Testimony and Schedule TJC-8 Pages 1 thru 16
2 - Purchased Power Expense Increase and Annualization	TJC Testimony and Schedule TJC-9
3 - Depreciation Expense	TJC Testimony and Schedule TJC-10
4 - Property Tax Expense	TJC Testimony and Schedule TJC-11
5 - Rate Case Expense	TJC Testimony and Schedule TJC-12
6 - Intentionally Left Blank	Intentionally Left Blank
7 - Purchased Power Expense Per Staff DR GB 3.8	TJC Testimony
8 - Corporate Allocations	TJC Testimony and Schedule TJC-14
9 - Bad Debt Expense	TJC Testimony and Schedule TJC-15
10 Income Taxes	TJC Testimony and Schedule TJC-16

OPERATING ADJUSTMENT #1 - REVENUE ANNUALIZATION

Revenue Annualization	
RUCO Revenue Annualization	$ 15,620
Company Revenue Annualization	(4,505)
RUCO Adjustment to Revenue and/or Expense	$\boxed{\$\ 20,125}$

SUPPORTING SCHEDULES
TJC-8, pages 2 thru 15

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 AVERAGE TEST YEAR CUSTOMERS	1,904	1,904	1,904	1,904	1,904	1,904	1,904	1,904	1,904	1,904	1,904	1,904	22,848
2	2008 ACTUAL CUSTOMERS BY MONTH	1,942	1,942	1,943	1,940	1,940	1,917	1,880	1,863	1,849	1,874	1,880	1,878	22,848
3	AVERAGE INCREASE IN CUSTOMERS	(38)	(38)	(39)	(36)	(36)	(13)	24	41	55	30	24	26	-
4	AVERAGE REVENUE FOR THE MONTH	$ 56.36	$ 56.36	$ 56.36	$ 56.36	$ 56.36	$ 56.36	$ 56.36	$ 56.36	$ 56.36	$ 56.36	$ 56.36	$ 56.36	
5	INCREASE IN REVENUES	$ (2,142)	$ (2,142)	$ (2,198)	$ (2,029)	$ (2,029)	$ (733)	$ 1,353	$ 2,311	$ 3,100	$ 1,691	$ 1,353	$ 1,465	$ -
6	TOTAL INCREASE IN REVENUE	-												
7	INCREASE IN REVENUE PER COMPANY	(17,584)												
8	RUCO REVENUE ADJUSTMENT	17,584												
9	GALLONS SOLD PER AVERAGE CUSTOMER	-	-	-	-	-	-	-	-	-	-	-	-	
10	INCREASE IN CUSTOMERS	(38)	(38)	(39)	(36)	(36)	(13)	24	41	55	30	24	26	
11	RUCO INCREASE IN GALLONS	-	-	-	-	-	-	-	-	-	-	-	-	-
12	COMPANY INCREASE IN GALLONS													-
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	8	8	8	8	8	8	8	8	8	8	8	8	96
2	2008 ACTUAL CUSTOMERS BY MONTH	8	7	9	7	9	9	8	8	8	8	9	8	98
3	INCREASE IN NUMBER OF CUSTOMERS	-	1	(1)	1	(1)	(1)	-	-	-	-	(1)	-	(2)
4	AVERAGE REVENUE FOR THE MONTH	$ 64.27	$ 64.27	$ 64.27	$ 64.27	$ 64.27	$ 64.27	$ 64.27	$ 64.27	$ 64.27	$ 64.27	$ 64.27	$ 64.27	
5	INCREASE IN REVENUES	$ -	$ 64	$ (64)	$ 64	$ (64)	$ (64)	$ -	$ -	$ -	$ -	$ (64)	$ -	$ (129)
6	TOTAL INCREASE IN REVENUE	(129)												
7	INCREASE IN REVENUE PER COMPANY	$ (129)												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	-	-	-	-	-	-	-	-	-	-	-	-	
10	INCREASE IN CUSTOMERS	-	1	(1)	1	(1)	(1)	-	-	-	-	(1)	-	
11	RUCO INCREASE IN GALLONS	-	-	-	-	-	-	-	-	-	-	-	-	-
12	COMPANY INCREASE IN GALLONS													-
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Residential 1" Meter

Wastewater Division
Schedule TJC-8

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 AVERAGE TEST YEAR CUSTOMERS	9	9	9	9	9	9	9	9	9	9	9	9	104
2	2008 ACTUAL CUSTOMERS BY MONTH	10	10	10	10	12	9	8	10	7	6	6	6	104
3	AVERAGE INCREASE IN CUSTOMERS	(1)	(1)	(1)	(1)	(3)	(0)	1	(1)	2	3	3	3	-
4	AVERAGE REVENUE FOR THE MONTH	$ 79.40	$ 79.40	$ 79.40	$ 79.40	$ 79.40	$ 79.40	$ 79.40	$ 79.40	$ 79.40	$ 79.40	$ 79.40	$ 79.40	
5	INCREASE IN REVENUES	$ (106)	$ (106)	$ (106)	$ (106)	$ (265)	$ (26)	$ 53	$ (106)	$ 132	$ 212	$ 212	$ 212	$ (0)
6	TOTAL INCREASE IN REVENUE	(0)												
7	INCREASE IN REVENUE PER COMPANY	$ (2,541)												
8	RUCO REVENUE ADJUSTMENT	2,541												
9	GALLONS SOLD PER AVERAGE CUSTOMER	-	-	-	-	-	-	-	-	-	-	-	-	
10	INCREASE IN CUSTOMERS	(1)	(1)	(1)	(1)	(3)	(0)	1	(1)	2	3	3	3	
11	RUCO INCREASE IN GALLONS	-	-	-	-	-	-	-	-	-	-	-	-	-
12	COMPANY INCREASE IN GALLONS													-
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Residential 1.5" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	-
2	2008 ACTUAL CUSTOMERS BY MONTH	-	-	-	-	-	-	-	-	-	-	-	-	-
3	INCREASE IN NUMBER OF CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	-
4	AVERAGE REVENUE FOR THE MONTH	$ 117.24	$ 117.24	$117.24	$ 117.24	$ 117.24	$ 117.24	$ 117.24	$ 117.24	$ 117.24	$ 117.24	$ 117.24	$ 117.24	
5	INCREASE IN REVENUES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	TOTAL INCREASE IN REVENUE	-												
7	INCREASE IN REVENUE PER COMPANY	$ -												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	-	-	-	-	-	-	-	-	-	-	-	-	
10	INCREASE IN CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	
11	RUCO INCREASE IN GALLONS	-	-	-	-	-	-	-	-	-	-	-	-	-
12	COMPANY INCREASE IN GALLONS													-
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Residential 2" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	1	1	1	1	1	1	1	1	1	1	1	1	12
2	2008 ACTUAL CUSTOMERS BY MONTH	1	1	1	1	1	1	1	1	1	1	1	1	12
3	INCREASE IN NUMBER OF CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	-
4	AVERAGE REVENUE FOR THE MONTH	$ 162.62	$ 162.62	$162.62	$ 162.62	$ 162.62	$ 162.62	$ 162.62	$ 162.62	$ 162.62	$ 162.62	$ 162.62	$ 162.62	
5	INCREASE IN REVENUES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	TOTAL INCREASE IN REVENUE	-												
7	INCREASE IN REVENUE PER COMPANY	$ -												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	-	-	-	-	-	-	-	-	-	-	-	-	
10	INCREASE IN CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	
11	RUCO INCREASE IN GALLONS	-	-	-	-	-	-	-	-	-	-	-	-	-
12	COMPANY INCREASE IN GALLONS													-
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Commercial 5/8" Meter

Wastewater Division
Schedule TJC-8

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	78	78	78	78	78	78	78	78	78	78	78	78	936
2	2008 ACTUAL CUSTOMERS BY MONTH	70	52	70	74	66	78	67	73	65	74	64	78	831
3	INCREASE IN NUMBER OF CUSTOMERS	8	26	8	4	12	-	11	5	13	4	14	-	105
4	AVERAGE REVENUE FOR THE MONTH	$ 80.67	$ 60.31	$ 80.67	$ 80.36	$ 95.38	$ 95.74	$ 84.40	$ 76.15	$ 81.66	$ 70.02	$ 78.22	$ 63.61	
5	INCREASE IN REVENUES	$ 645	$ 1,568	$ 645	$ 321	$ 1,145	$ -	$ 928	$ 381	$ 1,062	$ 280	$ 1,095	$ -	$ 8,071
6	TOTAL INCREASE IN REVENUE	8,071												
7	INCREASE IN REVENUE PER COMPANY	$ 8,071												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	11,257	7,692	11,257	11,203	13,833	13,897	11,910	10,466	11,431	9,392	10,828	8,269	
10	INCREASE IN CUSTOMERS	8	26	8	4	12	-	11	5	13	4	14	-	
11	RUCO INCREASE IN GALLONS	90,057	200,000	90,057	44,811	166,000	-	131,015	52,329	148,600	37,568	151,594	-	1,112,030
12	COMPANY INCREASE IN GALLONS													1,112,030
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Commercial 1" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	41	41	41	41	41	41	41	41	41	41	41	41	492
2	2008 ACTUAL CUSTOMERS BY MONTH	38	38	44	32	38	39	35	31	34	31	36	41	437
3	INCREASE IN NUMBER OF CUSTOMERS	3	3	(3)	9	3	2	6	10	7	10	5	-	55
4	AVERAGE REVENUE FOR THE MONTH	$ 113.36	$ 113.51	$103.28	$ 160.05	$ 137.40	$ 190.23	$ 155.10	$ 128.21	$ 106.61	$ 112.37	$ 114.77	$ 98.20	
5	INCREASE IN REVENUES	$ 340	$ 341	$ (310)	$ 1,440	$ 412	$ 380	$ 931	$ 1,282	$ 746	$ 1,124	$ 574	$ -	$ 7,260
6	TOTAL INCREASE IN REVENUE	7,260												
7	INCREASE IN REVENUE PER COMPANY	$ 7,260												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	12,947	12,974	11,182	21,125	17,158	26,410	20,257	15,548	11,765	12,774	13,194	10,293	
10	INCREASE IN CUSTOMERS	3	3	(3)	9	3	2	6	10	7	10	5	-	
11	RUCO INCREASE IN GALLONS	38,842	38,921	(33,545)	190,125	51,474	52,821	121,543	155,484	82,353	127,742	65,972	-	891,731
12	COMPANY INCREASE IN GALLONS													891,731
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Commercial 1.5" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	7	7	7	7	7	7	7	7	7	7	7	7	84
2	2008 ACTUAL CUSTOMERS BY MONTH	7	7	7	8	8	7	7	7	8	6	8	7	87
3	INCREASE IN NUMBER OF CUSTOMERS	-	-	-	(1)	(1)	-	-	-	(1)	1	(1)	-	(3)
4	AVERAGE REVENUE FOR THE MONTH	$ 204.52	$ 204.52	$204.52	$ 303.53	$ 402.74	$ 464.73	$ 424.76	$ 308.93	$ 374.90	$ 265.70	$ 231.44	$ 287.72	
5	INCREASE IN REVENUES	$ -	$ -	$ -	$ (304)	$ (403)	$ -	$ -	$ -	$ (375)	$ 266	$ (231)	$ -	$ (1,047)
6	TOTAL INCREASE IN REVENUE	(1,047)												
7	INCREASE IN REVENUE PER COMPANY	$ (1,047)												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	22,286	22,286	22,286	39,625	57,000	67,857	60,857	40,571	52,125	33,000	27,000	36,857	
10	INCREASE IN CUSTOMERS	-	-	-	(1)	(1)	-	-	-	(1)	1	(1)	-	
11	RUCO INCREASE IN GALLONS	-	-	-	(39,625)	(57,000)	-	-	-	(52,125)	33,000	(27,000)	-	(142,750)
12	COMPANY INCREASE IN GALLONS													(142,750)
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Commercial 2" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	20	20	20	20	20	20	20	20	20	20	20	20	240
2	2008 ACTUAL CUSTOMERS BY MONTH	19	19	20	20	20	20	20	22	18	19	21	20	238
3	INCREASE IN NUMBER OF CUSTOMERS	1	1	-	-	-	-	-	(2)	2	1	(1)	-	2
4	AVERAGE REVENUE FOR THE MONTH	$ 666.90	$ 666.90	$640.83	$ 863.52	$1,173.00	$ 1,243.24	$ 677.09	$ 637.85	$ 641.31	$ 609.50	$ 605.82	$ 525.78	
5	INCREASE IN REVENUES	$ 667	$ 667	$ -	$ -	$ -	$ -	$ -	$ (1,276)	$ 1,283	$ 610	$ (606)	$ -	$ 1,344
6	TOTAL INCREASE IN REVENUE	1,344												
7	INCREASE IN REVENUE PER COMPANY	$ 1,344												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	95,316	95,316	90,750	129,750	183,950	196,250	97,100	90,227	90,833	85,263	84,619	70,600	
10	INCREASE IN CUSTOMERS	1	1	-	-	-	-	-	(2)	2	1	(1)	-	
11	RUCO INCREASE IN GALLONS	95,316	95,316	-	-	-	-	-	(180,455)	181,667	85,263	(84,619)	-	192,488
12	COMPANY INCREASE IN GALLONS													192,488
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
Docket No. WS-02676A-09-0257
Test Year Ended December 31, 2008
Commercial 3" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	1	1	1	1	1	1	1	1	1	1	1	1	12
2	2008 ACTUAL CUSTOMERS BY MONTH	1	1	1	1	1	1	1	1	1	1	1	1	12
3	INCREASE IN NUMBER OF CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	-
4	AVERAGE REVENUE FOR THE MONTH	$ 643.03	$ 660.16	$ 585.93	$ 631.61	$ 283.30	$ 391.79	$ 922.82	$ 643.03	$ 688.71	$ 917.11	$ 745.81	$ 797.20	
5	INCREASE IN REVENUES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	TOTAL INCREASE IN REVENUE	-												
7	INCREASE IN REVENUE PER COMPANY	$ -												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	273,769	210,357	175,286	257,167	413,571	409,200	180,133	286,818	306,100	87,692	307,500	298,833	
10	INCREASE IN CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	
11	RUCO INCREASE IN GALLONS	-	-	-	-	-	-	-	-	-	-	-	-	-
12	COMPANY INCREASE IN GALLONS													-
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	4	4	4	4	4	4	4	4	4	4	4	4	48
2	2008 ACTUAL CUSTOMERS BY MONTH	4	3	5	4	4	4	4	4	4	4	4	4	48
3	INCREASE IN NUMBER OF CUSTOMERS	-	1	(1)	-	-	-	-	-	-	-	-	-	-
4	AVERAGE REVENUE FOR THE MONTH	$ 2,254.25	$ 2,342.28	$ 1,825.71	$ 2,254.25	$2,534.04	$ 3,299.18	$2,224.27	$2,496.92	$ 2,424.12	$ 2,267.10	$ 2,111.50	$ 1,995.87	
5	INCREASE IN REVENUES	$ -	$ 2,342	$ (1,826)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 517
6	TOTAL INCREASE IN REVENUE	517												
7	INCREASE IN REVENUE PER COMPANY	$ 517												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	328,250	343,667	253,200	328,250	377,250	511,250	323,000	370,750	358,000	330,500	303,250	283,000	
10	INCREASE IN CUSTOMERS	-	1	(1)	-	-	-	-	-	-	-	-	-	
11	RUCO INCREASE IN GALLONS	-	343,667	(253,200)	-	-	-	-	-	-	-	-	-	90,467
12	COMPANY INCREASE IN GALLONS													90,467
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

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Commercial 6" Meter

Wastewater Division
Schedule TJC-8

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	1	1	1	1	1	1	1	1	1	1	1	1	12
2	2008 ACTUAL CUSTOMERS BY MONTH	1	1	1	1	1	1	1	1	1	1	1	1	12
3	INCREASE IN NUMBER OF CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	-
4	AVERAGE REVENUE FOR THE MONTH	$ 2,733.65	$ 2,619.45	$2,733.65	$ 3,767.16	$4,652.21	$ 9,494.29	$2,653.71	$5,000.52	$ 3,584.44	$ 6,199.62	$ 6,627.87	$ 3,515.92	
5	INCREASE IN REVENUES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	TOTAL INCREASE IN REVENUE	-												
7	INCREASE IN REVENUE PER COMPANY	$ -												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	346,000	326,000	346,000	527,000	682,000	1,530,000	332,000	743,000	495,000	953,000	1,028,000	483,000	
10	INCREASE IN CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	
11	RUCO INCREASE IN GALLONS	-	-	-	-	-	-	-	-	-	-	-	-	-
12	COMPANY INCREASE IN GALLONS													-
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

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Multi-Family 5/8" Meter

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	9	9	9	9	9	9	9	9	9	9	9	9	108
2	2008 ACTUAL CUSTOMERS BY MONTH	9	6	9	10	10	10	11	10	10	9	10	9	113
3	INCREASE IN NUMBER OF CUSTOMERS	-	3	-	(1)	(1)	(1)	(2)	(1)	(1)	-	(1)	-	(5)
4	AVERAGE REVENUE FOR THE MONTH	$ 77.93	$ 69.68	$ 77.93	$ 82.63	$ 78.63	$ 98.61	$ 64.15	$ 72.35	$ 82.63	$ 70.95	$ 62.64	$ 77.30	
5	INCREASE IN REVENUES	$ -	$ 209	$ -	$ (83)	$ (79)	$ (99)	$ (128)	$ (72)	$ (83)	$ -	$ (63)	$ -	$ (397)
6	TOTAL INCREASE IN REVENUE	(397)												
7	INCREASE IN REVENUE PER COMPANY	$ (397)												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	10,778	9,333	10,778	11,600	10,900	14,400	8,364	9,800	11,600	9,556	8,100	10,667	
10	INCREASE IN CUSTOMERS	-	3	-	(1)	(1)	(1)	(2)	(1)	(1)	-	(1)	-	
11	RUCO INCREASE IN GALLONS	-	28,000	-	(11,600)	(10,900)	(14,400)	(16,727)	(9,800)	(11,600)	-	(8,100)	-	(55,127)
12	COMPANY INCREASE IN GALLONS													(55,127)
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

LINE NO.	DESCRIPTION	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL YEAR
1	2008 TEST YEAR END CUSTOMERS	1	1	1	1	1	1	1	1	1	1	1	1	12
2	2008 ACTUAL CUSTOMERS BY MONTH	1	1	1	1	1	1	1	1	1	1	1	1	12
3	INCREASE IN NUMBER OF CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	-
4	AVERAGE REVENUE FOR THE MONTH	$ 128.66	$ 134.37	$ 140.08	$ 117.24	$ 117.24	$ 117.24	$ 117.24	$ 128.66	$ 117.24	$ 128.66	$ 128.66	$ 134.37	
5	INCREASE IN REVENUES	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	TOTAL INCREASE IN REVENUE	-												
7	INCREASE IN REVENUE PER COMPANY	$ -												
8	RUCO REVENUE ADJUSTMENT	-												
9	GALLONS SOLD PER AVERAGE CUSTOMER	9,000	10,000	11,000	7,000	5,000	2,000	3,000	9,000	7,000	9,000	9,000	10,000	
10	INCREASE IN CUSTOMERS	-	-	-	-	-	-	-	-	-	-	-	-	
11	RUCO INCREASE IN GALLONS	-	-	-	-	-	-	-	-	-	-	-	-	-
12	COMPANY INCREASE IN GALLONS													-
13	RUCO DIFFERENCE IN GALLONS TO BE PRODUCED	-												-

Rio Rico Utilities, Inc.
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Wastewater Division
Schedule TJC-9

OPERATING ADJUSTMENT #2
REVENUE & EXPENSE ANNUALIZATION - PURCHASED POWER EXPENSE

DESCRIPTION	TOTAL
Annualize Purchase Power Expense	
Test Year Purchased Power Expense	$ 17,482
Increase in Purchased Power Expense (Company Adjustment 5)	332
Total Adjusted Test Year Purchased Power Expense	$ 17,814
Gallons Treated in Test Year (in 1,000's)	155,443
Cost per 1,000 gallons	0.1146
Number of Bills During Test Year (excluding effluent)	24,852
Average Flow per Bill (in 1,000's)	6.25
Increase in Number of Bills	1,824
Increase in Flows (in 1,000's)	11,400
Increase (decrease) in Purchased Power	$ 1,306
Company Adjustment to Revenue and/or Expense	$ (388)
RUCO Adjustment to Revenue and/or Expense	$ 1,694

SUPPORTING SCHEDULES
Company Schedule C-2
Company Adjustment #5 Schedule
Schedule TJC-8, pages 1 thru 16

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Wastewater Division
Schedule TJC-10

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 3
TEST YEAR DEPRECIATION EXPENSE

LINE NO.	ACCOUNT NO.	ACCOUNT NAME	(A) RUCO PLANT VALUE	(B) COMPANY PROPOSED DEP. RATES	(C) TEST YEAR DEPRECIATION EXPENSE
1	351	Organization	$ 5,785	0.00%	$ -
2	352	Franchises	417	0.00%	-
3	353	Land	7,545	0.00%	-
4	354	Structures and Improvements	28,548	3.33%	951
5	355	Power Generation	-	5.00%	-
6	360	Collection Sewer Forced	636,023	2.00%	12,720
7	361	Collection Sewers Gravity	5,945,962	2.00%	118,919
8	362	Special Collecting Structures	-	2.00%	-
9	363	Customer Services	1,145,530	2.00%	22,911
10	364	Flow Measuring Devices	55,989	10.00%	5,599
11	365	Flow Measuring Installation	-	10.00%	-
12	366	Reuse Services	-	2.00%	-
13	367	Reuse Meters And Installation	-	8.33%	-
14	370	Receiving Wells	867,120	3.33%	28,875
15	371	Pumping Equipment	1,504,181	12.50%	188,023
16	374	Reuse Distribution Reservoirs	-	2.50%	-
17	375	Reuse Trans. and Dist. System	-	2.50%	-
18	380	Treatment & Disposal Equipment	1,006,848	5.00%	50,342
19	381	Plant Sewers	-	5.00%	-
20	382	Outfall Sewer Lines	-	3.33%	-
21	389	Other Sewer Plant & Equipment	68,869	6.67%	4,594
22	390	Office Furniture & Equipment	110,454	6.67%	7,367
23	390	Computers and Software	4,025	20.00%	805
24	391	Transportation Equipment	-	20.00%	-
25	392	Stores Equipment	-	4.00%	* -
26	393	Tools, Shop And Garage Equip	4,897	5.00%	245
27	394	Laboratory Equip	-	10.00%	-
28	396	Communication Equip	5,936	10.00%	594
29	398	Other Tangible Plant	3,913	4.00%	157
30	398	Nogales WW Trmnt Capacity	427,000	5.00%	21,350
31	346	Rounding	1		
32					
33		TEST YEAR GROSS PLANT AND DEPRECIATION EXPENSE	$ 11,829,043		$ 463,451
34					
35					
36		AMORTIZATION OF CONTRIBUTIONS	(5,137,673)	3.92%	(201,418)
37					
38		Rounding			
39					
40	**TOTAL DEPRECIATION EXPENSE**				$ 262,033
41					
42	Company As Filed				252,672
43	Difference				$ 9,361
44					
45	RUCO Adjustment				$ 9,361
46					
47					

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Wastewater Division
Schedule TJC-11
Page 1 of 1

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 4
PROPERTY TAX COMPUTATION

LINE NO.	DESCRIPTION	REFERENCE	(A)	(B)
	Calculation Of The Company's Full Cash Value:			
	Annual Operating Revenues:			
1	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	$ 1,850,101	
2	Adjusted Revenues In Year Ended December 2007	Sch. TJC-7, Col (C), Ln 8	1,850,101	
3	Proposed Revenues	Sch. TJC-7, Col (E), Ln 8	1,300,773	
4	Total Three Year Operating Revenues	Sum Of Lines 1, 2 & 3	$ 5,000,974	
5	Average Annual Operating Revenues	Line 4 / 3	1,666,991	
6	Two Times Three Year Average Operating Revenues	Line 5 X 2		$ 3,333,983
	ADD:			
	10% Of Construction Work In Progress ("CWIP"):			
7	Test Year CWIP	Company Schedule E	$ 28,150	
8	10% Of CWIP	Line 7 X 10%		$ 2,815
	SUBTRACT:			
	Transportation At Book Value:			
9	Original Cost Of Transportation Equipment	RUCO Plant Schedule TJC-4	$ -	
10	Acc. Dep. Of Transportation Equipment	RUCO Plant Schedule TJC-4	-	
11	Net Book Value Of Transportation Equipment	Line 9 + Line 10		$ -
12	Company's Full Cash Value ("FCV")	Sum Of Lines 6, 8 & 11		$ 3,336,798
	Calculation Of The Company's Tax Liability:			
	MULTIPLY:			
	FCV X Valuation Assessment Ratio X Property Tax Rates:			
13	Assessment Ratio	House Bill 2779	21.0%	
14	Assessed Value	Line 12 X Line 13	$ 700,728	
	Property Tax Rates:			
15	Primary Tax Rate	Company Workpapers	11.3283%	
16	Secondary Tax Rate	Company Workpapers	0.00%	
17	Estimated Tax Rate Liability	Line 15 + Line 16	11.33%	
	Property Tax			$ 79,381
	Tax On Parcel			-
18	Company's Total Tax Liability - Based On Full Cash Value	Line 14 X Line 17		$ 79,381
19	Test Year Adjusted Property Tax Expense As Filed	Co. Sch. C-1		91,705
20	Decrease In Property Tax Expense	Line 18 - Line 19		$ (12,324)
		Line 20		$ (12,324)

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 5
RATE CASE EXPENSE

LINE NO.	DESCRIPTION		(A) COMPANY ESTIMATE	(B) RUCO ADJUSTMENT	(C) RUCO AS ADJUSTED
1	Rate Case Expense Total		$ 125,000	$ (31,250)	$ 93,750
2	Allocation Factor				100%
3	Wastewater Division	(Line 1 X Line 2)			$ 93,750
4	Normalization Period - 3 Years				3
5	RUCO Adjusted Rate Case Expense (Line 3 / 3 Years)				$ 31,250
6	Company Rate Case Expenses As Filed (Company Sch. C-2)				$ 41,667
7	RUCO Pro Forma Rate Case Expense (Lines 5 - 6)				$ (10,417)
8	RUCO Adjustment (Line 7)				$ (10,417)

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Wastewater Division
Schedule TJC-13

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 6
MISCELLANEOUS EXPENSE

LINE NO.	DESCRIPTION	(A) AMOUNT
1	Intentionally Left Blank	
2		
3		
4		
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Wastewater Division
Schedule TJC-14
Page 1 of 1

OPERATING INCOME ADJUSTMENT #8 - CORPORATE ALLOCATIONS

Line No.	Description	Company Total Cost	RUCO Disallowed Costs		RUCO Other Disallowed Costs	RUCO Allowable Costs	RUCO 2008 Allocation Factor	RUCO Allowed Allocated Costs	Allocation % To Rio Rico	RUCO Amount Allocated To Rio Rico
1	Rent	430,739			(430,739)	-	24.29%	-	12.92%	-
2	Audit	507,000			(380,250)	126,750	24.29%	30,782	12.92%	3,976.12
3	Tax Services	265,000			(198,750)	66,250	24.29%	16,089	12.92%	2,078.25
4	Legal - General	300,000			(225,000)	75,000	24.29%	18,214	12.92%	2,352.73
5	Other Professional Services	455,000			(455,000)	-	24.29%	-	12.92%	-
6	Management Fee	636,619			(636,619)	-	24.29%	-	12.92%	-
7	Unit Holder Communications	314,100			(314,100)	-	24.29%	-	12.92%	-
8	Trustee Fees	204,000			(204,000)	-	24.29%	-	12.92%	-
9	Office Costs	254,100	(46,186)	**Note A**	(207,914)	-	24.29%	-	12.92%	-
10	Licenses/Fees and Permits	305,000	(145,642)	**Note B**	(159,358)	-	24.29%	-	12.92%	-
11	Escrow and Transfer Fees	75,000			(75,000)	-	24.29%	-	12.92%	-
12	Depreciation Expense	204,242			(153,182)	51,061	24.29%	12,400	12.92%	1,601.76
	Total	3,950,800	(191,828)		(3,439,912)	319,061		77,486		10,009

RUCO Allocation To Rio Rico Water Division (Based on Total Ratio of Rate Base)	70.5745%
RUCO Allocation To Rio Rico Wastewater Division (Based on Total Ratio of Rate Base)	29.4255%
Company's APT Cost Allocation for Water Division (Per Staff DR GB 3.7 & GB 3.15)	$ 103,745
RUCO's APT Cost Allocation Allowed for Water Division	7,064
RUCO's APT Cost Allocation Adjustment for Water Division	(96,681)
Company's APT Cost Allocation for Wastewater Division (Per Staff DR GB 3.7 & GB 3.15)	$ 34,582
RUCO's APT Cost Allocation Allowed for Wastewater Division	2,945
RUCO's APT Cost Allocation Adjustment for Wastewater Division	(31,637)

Note A:	Description	
Office Costs	Wind Analysis Software	$ 15,056
Office Costs	Gold Watches & Clocks	16,864
Office Costs	Pilsner Beer Glasses	5,700
Office Costs	Leafs/Raptors Tickets	5,066
Office Costs	Super Bowl Tickets	3,500
Total		$ 46,186

Note B:		
Licenses/Fees and Permits	Donation	$ 25,000
Licenses/Fees and Permits	Donation	25,000
Licenses/Fees and Permits	Donation	13,350
Licenses/Fees and Permits	Donation	5,000
Licenses/Fees and Permits	Wind Developm	7,887
Licenses/Fees and Permits	US Trustee	9,375
Licenses/Fees and Permits	Wind Energy	12,556
Licenses/Fees and Permits	APF Inc Taxes	6,891
Licenses/Fees and Permits	APF Inc Taxes	6,794
Licenses/Fees and Permits	APF Inc Taxes	23,789
Licenses/Fees and Permits	KMS Tax Ruling	10,000
Total		$ 145,642

SUPPORTING SCHEDULES
2008 Algonquin Power Income Fund Annual Report
Company's Response to Staff GB 3.2 and 3.10 APT Affiliate Charges - Rio Rico
Company's Response to Staff GB 3.7 and 3.15

EXPLANATION OF OPERATING INCOME ADJUSTMENT NO. 9
BAD DEBT EXPENSE

LINE NO.	DESCRIPTION	(A) AMOUNT
1	Normalize Bad Debt Expense:	
2		
3	2008 Bad Debt Expense	$ 64,087
4	2007 Bad Debt Expense	28,498
5	2006 Bad Debt Expense	8,732
6		
7	3 Year Normalization	$ 33,772
8		
9	Company As Filed	64,087
10		
11	RUCO Adjustment	$ (30,315)
38	SUPPORTING SCHEDULES	
39	Company Schedule E-2	

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Wastewater Division
Schedule TJC-16

OPERATING INCOME ADJUSTMENT #10
INCOME TAX EXPENSE

LINE NO.	DESCRIPTION	(A) REFERENCE	(B) AMOUNT
	FEDERAL INCOME TAXES:		
1	Operating Income Before Taxes	Sch. TJC-7, Column (C), L28 + L22 + L23	$ 844,889
	LESS:		
2	Arizona State Tax	Line 11	53,746
3	Interest Expense	Note (A) Line 21	73,557
4	Federal Taxable Income	Line 1 - Line 2 - Line 3	$ 717,586
5	Federal Tax Rate	Sch. TJC-1, Pg 2, Col. (D), L34	30.89%
6	Federal Income Tax Expense	Line 4 X line 5	$ 221,662
	STATE INCOME TAXES:		
7	Operating Income Before Taxes	Line 1	$ 844,889
	LESS:		
8	Interest Expense	Note (A) Line 21	73,557
9	State Taxable Income	Line 7 - Line 8	$ 771,332
10	State Tax Rate	Tax Rate	6.97%
11	State Income Tax Expense	Line 9 X Line 10	$ 53,746
	TOTAL INCOME TAX EXPENSE:		
12	Federal Income Tax Expense	Line 6	$ 221,662
13	State Income Tax Expense	Line 11	53,746
14	Total Income Tax Expense Per RUCO	Line12 + Line 13	$ 275,409
15	Total Federal Income Tax Expense Per Company (Per Company Sch. C-1, L28)		252,773
16	Total State Income Tax Expense Per Company (Per Company Sch. C-1, L28)		55,684
17	RUCO Federal Income Tax Adjustment	Line 12 - Line 15	$ (31,110)
18	RUCO State Income Tax Adjustment	Line 13 - Line 16	$ (1,937)

NOTE (A):
Interest Synchronization:

19	Adjusted Rate Base (Sch. TJC-2, Col. (H), L17)	$ 2,937,595
20	Weighted Cost Of Debt (Sch. TJC-16 Col. (F), L1)	2.50%
		$ 73,557

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Wastewater Division
Schedule TJC-17

COST OF CAPITAL

LINE NO.	DESCRIPTION	(B) CAPITAL RATIO	(C) COST RATE	(D) WEIGHTED COST RATE
1	Long-Term Debt	40.00%	6.26%	2.50%
2	Common Equity	60.00%	9.00%	5.40%
3	Total Capitalization	100.00%		
4	WEIGHTED AVERAGE COST OF CAPITAL			7.90%

References:
Columns (A) Thru (D): Testimony, WAR